PAUL CRAIG ROBERTS: DEFENDING THE '80s

REASON

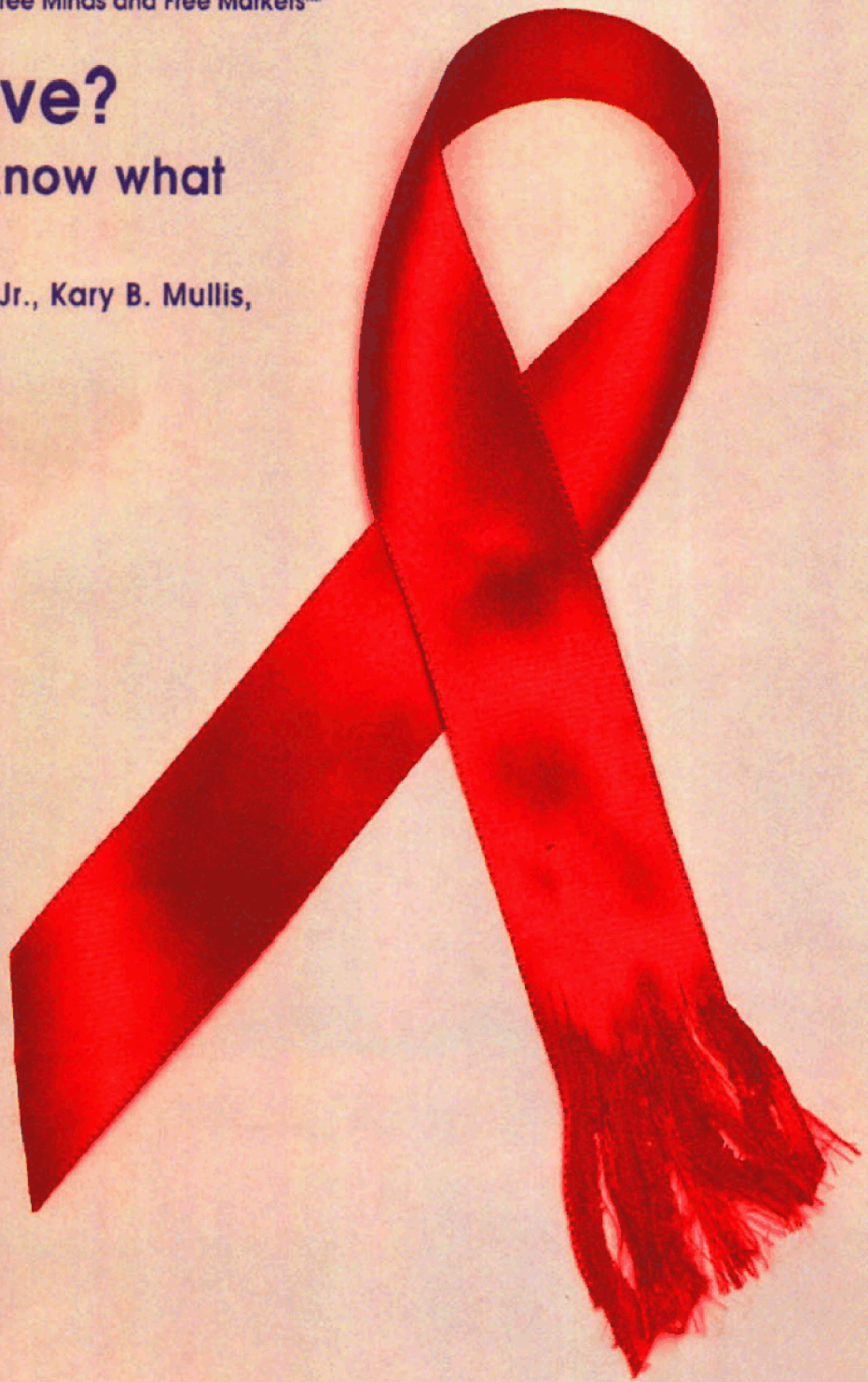
Free Minds and Free Markets™

June 1994

HIV, Positive?

We still don't know what causes AIDS.

By Charles A. Thomas Jr., Kary B. Mullis, & Phillip E. Johnson



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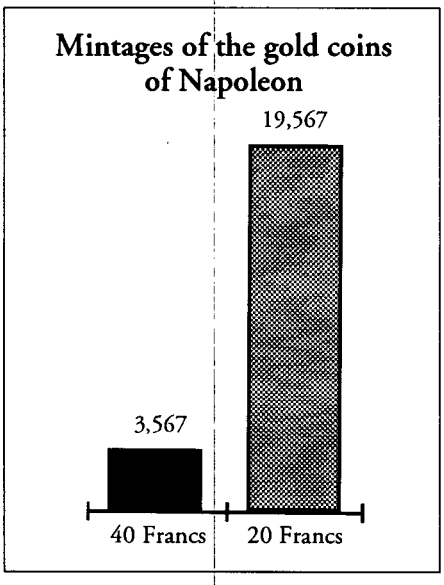

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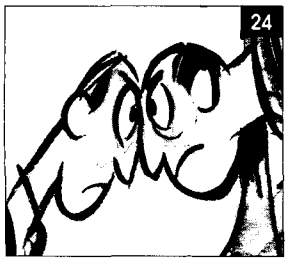

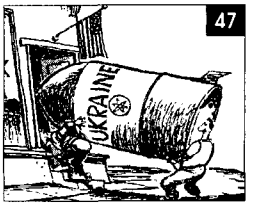

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The Character Issue

By Virginia I. Postrel

The "pathologies" of welfare aren't confined to its recipients.

MRS. G. HARRIS ROBERTSON IS one of the most influential women in American history, though almost no one has heard of her and I couldn't tell you her given name. She is the mother of the welfare state, the progenitor of the nanny state and its resentful children.

A proper turn-of-the-century lady, Mrs. Robertson believed in full-time motherhood as both the greatest expression of feminine virtue and the strongest support for a healthy society; she campaigned for family values in a maternalist state. "Our government should be maternal, some may prefer to call it paternal, there is no difference," she said. "The state is a parent, and, as a wise and gentle and kind and loving parent, should beam down on each child alike."

With thousands of other clubwomen, Mrs. Robertson campaigned for "mothers' pensions," state subsidies to families without fathers. In a rousing 1911 speech that launched the National Congress of Mothers' successful crusade, she declared that such subsidies should even "include the deserted wife, and the mother who has never been a wife....Today let us honor the *mother* wherever found—if she has given a citizen to the nation, then the nation owes something to her." (The campaign for a maternal state is sympathetically recounted by Harvard sociologist Theda Skocpol in her recent book *Protecting Soldiers and Mothers.*)

Mrs. Robertson and her organized mothers couldn't vote, but they influenced those who could. Mothers' pensions swept the states, though they were never as generous, and rarely as inclusive, as Mrs. Robertson had wished. When FDR came along, these mother-honoring state programs were rolled into the Social Security Act. They became Aid to Families with Dependent Children, a.k.a. Welfare As We Know It.

In her day, Mrs. Robertson faced the same objections to her favorite social program that Mrs. Clinton faces to hers, and she replied with a quainter version of the same rhetoric: "Do not rise up in indignation to call this Socialism—it is the sanest of statesmanship. If our public mind is maternal, loving and generous, wanting to save and develop all, our Government will express this sentiment.... [E]very step we make toward establishing government along these lines means an advance toward the Kingdom of Peace."

EIGHTY-TWO YEARS LATER, WE ARE A long way from the Kingdom of Peace, and the public mind is anything but maternal, loving, and generous. We no longer believe that government policy can usher in a messianic age. Nor do we deem government aid an "honorable" payment for the service of raising a child.

To the contrary, Americans deeply resent both the welfare system and its beneficiaries—resentment that has shattered the empathy that led Mrs. Robertson and her allies to identify with poor mothers, resentment that feeds ethnic stereotypes and racial hatreds, resentment that is turning a culture of self-reliance and individualism into a culture of victimhood and nosy animosity.

The welfare state has expanded beyond widows and orphans (and the farm programs that inspired the mothers' movement) to include almost everyone in one way or another—through student loans, retirement money, ever-growing health-care benefits that the Clintons would expand even more. One in every 100 Americans works for a government social-service agency or hospital. Millions more depend indirectly on government transfers.

So your own business is now the public's: Cigarette smoking isn't a private vice but a public-health issue; after all, says anti-smoking activist Ahron Leichtman, "Who pays for these people when they're ill and they're indigent and they go in the hospital?" The same goes for riding motorcycles without helmets, for drugs and drink, for driving without seat belts, for crossing the border to have an American-born baby.

We have become like the workers in Ayn Rand's story of the Twentieth Century Motor Company, a factory in which work and wages were based on "from each according to his ability, to each according to his need." A fable drawn in broad strokes, it is nonetheless prophetic: "In the old days, we used to celebrate if somebody had a baby, we used to chip in and help him out with the hospital bills, if he happened to be hard-pressed for the moment. Now, if a baby was born, we didn't speak to the parents for weeks. Babies, to us, had become what locusts were to farmers."

Locusts to farmers.

You cannot go a block in Los Angeles without seeing immigrants working; they bus tables and run shops, drill teeth and tend gardens, give manicures and clean houses. They were noticeably absent from the hundreds of people lined up for post-earthquake food stamps at the welfare office I pass on my way to work. A few blocks away you could find Latin Americans by the side of the road: soliciting day work on construction sites, selling strawberries or roses. Farmers, not locusts.

But Mrs. Robertson's legacy makes us see mouths to feed, not hands to work, in every new American—every child, every immigrant. "At least in the short run, the

large number of illegals in California, and the high birthrate they represent, also contribute disproportionately to the mushrooming cost of maintaining the state's public services: welfare, schools, prisons, health care," opines the *Sacramento Bee*.

Republican Assemblyman William Knight produced a less polite version of the same message, circulating a constituent's doggerel that read in part, "Sent for family, they just trash! But they all draw more welfare cash....We have a hobby, it's called breeding, welfare pay for baby feeding." He was denounced as a racist, but his message is conventional wisdom: Immigrants are locusts. A lot of Americans, mostly off the record, believe the same of blacks. The welfare state feeds their prejudices.

AND LOCUSTS ARE POPULAR IN SOME quarters. Welfare's defenders often disparage work—especially low-paid and manual work—and the people who value it. They imply than anyone who does such work is a victim or a sucker.

A lawsuit filed to block New Jersey's welfare reform, which stopped the practice of giving welfare mothers additional money if they have more kids, complains, "It is designed to compel adult AFDC recipients to work." *Newsday* columnist Robert Reno blasts "the Giuliani approach to welfare reform: Draft the poor to clean up New York and fill its potholes. Too bad there aren't some salt mines handy to the city....[I]f New York has sunk to that level, what's the point of cleaning it up?"

We might ask the same question about our welfare state, about tinkering with reforms rather than scrapping a failed experiment. The fundamental issue behind welfare reform isn't whether the government should make welfare mothers work or whether it should deter them from having kids out of wedlock. It is what the welfare state, in all its manifestations, has done to all of us, how it has corrupted our character. Mrs. Robertson's legacy has proved to be a triumph of statecraft as soulcraft, and its results are not exactly the motherly love, lower crime rates, and humane citizens we were promised. R

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Sweeping Powers

By Jacob Sullum

Trading freedom for security

IN A RECENT ISSUE OF THE *LOS ANGELES Times*, a writer named Karen Grigsby Bates offers a modest proposal for reducing crime. Under the headline, "A Little Inconvenience to Save Lives," she calls for "unannounced sweeps of California, a coordinated effort by local police and sheriff departments and the National Guard to rid the state of guns." Such an operation, Bates concedes, would arouse a certain amount of opposition. "It would require arbitrary search and seizure and would make life miserable for all of us," she writes. "Traffic would be snarled (because checkpoints would be established throughout cities, much like those at border crossings)....All sorts of lawsuits would be filed." But in the end, the gun dragnet would "save lives and improve the quality of life."

Bates has a naive faith in the government's ability to "rid the state of guns," and her premise that taking firearms from law-abiding citizens will make us safer is questionable, to say the least. But the impulse behind her argument—the desire to trade freedom for security—should not be ignored. It is powerful and persistent.

The temptation is especially strong at Chicago's Robert Taylor Homes, where residents are justifiably afraid to leave their apartments. The public-housing project has been taken over by young thugs who attack residents and engage in gun battles that endanger innocent bystanders. "Kids can't play in the playground because there's bullets ringing over their heads, one gang shooting from one building to another," a resident told *Nightline* in April. "My kids ain't been in school in four weeks," said another, "because of the violence, because of the shooting every day." A third informed a police officer on camera: "Somebody just got raped in this building, on my floor right here."

The situation in places like the Robert Taylor Homes owes much to government policies. The government created the projects, concentrating lots of troublemakers, together with their victims, in buildings that seem designed to foster crime. The government pursues a drug war that strengthens gangs, provides the profits to pay for their weapons, and gives them something to shoot about.

But the government has a solution to the emergency it helped create. In response to the violence, the Chicago Housing Authority hired its own police officers and launched Operation Clean Sweep. The operation included raids in which the police would storm into a building and search it room by room, looking for weapons. Several residents challenged these warrantless searches in federal court, and in April a judge ordered the housing authority to stop the sweeps.

Many people objected; 5,000 public-housing residents from across the city had signed a petition in support of Operation Clean Sweep. It seemed to them that the searches had made life a little less dangerous by intimidating gang members. "I think they should sweep the buildings and go in every apartment to see who's got what and what's going on up in there," one resident said on *Nightline*.

The effectiveness of the sweeps is in dispute, and no one thinks they are an adequate response to the chaos that reigns at Robert Taylor Homes. But it's plausible that Operation Clean Sweep reduced violence a bit, maybe even saved a life. In any case, a sufficiently large and sustained show of force probably could restore order, especially if the police had broad search and arrest powers.

So it's not enough to say that Operation Clean Sweep didn't really work. Nor will many people be impressed by the argument that it was unconstitutional. As a local priest told *Nightline*, "There are very

few rights that survive in Robert Taylor, because people are too busy trying to survive." In an emergency, civil liberties seem like a luxury.

But that is exactly why the Framers tried to shield them from passing crises. Constitutional guarantees are necessary only when people think they have good reasons for violating them. To someone who worries about getting shot in the head on the way to the grocery store, unreasonable search and seizure may not be a looming threat. Yet giving the police the kind of power they would need to stamp out crime in Chicago's housing projects would create a threat just as real as the gangs.

Blacks in poor neighborhoods already have reason to fear the police. On March 25, a Boston SWAT team literally scared a 75-year-old retired minister to death. They broke into his apartment and chased him into his bedroom to handcuff him, triggering a fatal heart attack. Later that day, the police commissioner apologized. It seems the cops were acting on a tip from an informant who said they would find drugs and guns. They had raided the wrong apartment by mistake.

In this context, waiving your Fourth Amendment rights can have serious consequences. It means that armed strangers may enter your home unannounced, at any hour of the day or night, and rifle your belongings. It means they may stop you at random and frisk you. And if someone should be injured or killed during any of these encounters, calling the police won't help.

This is not to say that law-enforcement officials are wrong when they complain that restrictions on search and seizure make their job harder. When the FBI says the Clipper chip will help catch bad guys, or when prosecutors argue that civil forfeiture is a useful tool in fighting crime, they may well be right. Freedom has its costs, one of which is that it complicates law enforcement. Ultimately, such complications probably mean more crime, if crime is understood as what the government punishes. But that's not the only kind of crime we need to worry about. ®

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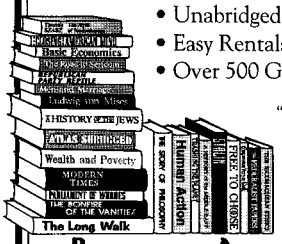

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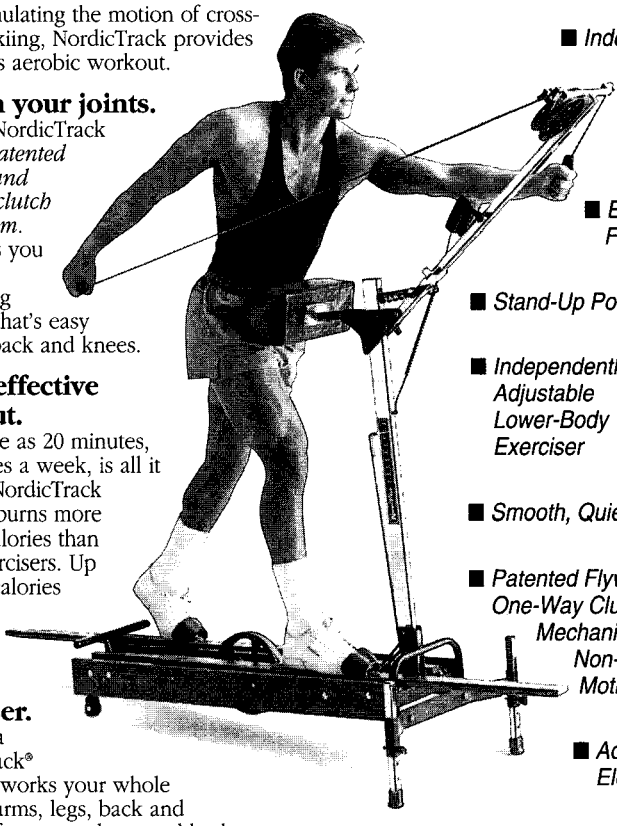

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Box of Pain

David Link's article on TV violence ("Facts About Fiction," Mar.) is a worthy antidote to much of what passes for informed comment. I, too, have found that, as he so aptly puts it, "when Americans all line up on one side of an issue, you know something is terribly, terribly wrong."

Although I agree with the majority of Link's contentions, I believe he errs on two points. Yes, as far as I have been able to tell, violence is presented in a moral context as wrong though necessary. Aye, there's the rub; it is presented as necessary over and over again, *as the only means of solving conflict.* I do not think so unrealistically as to suggest that violence is not necessary sometimes, but *always*, or virtually always?

The second point is that it seems just a bit naive to think that what ought to be will be: "Parents must teach their children at an early age that they are supposed to read television the same way they read a book—with care for meaning." When adults can be so uncritical in their own viewing that advertisers can predict with a high degree of accuracy how much sales will increase for so much investment in advertising, to expect these same adults as parents to teach their children critical TV viewing is rather unrealistic.

Ralph Mason Dreger
Baton Rouge, LA

David Link's defense of TV violence carefully sidesteps the reason there is such an outcry against the portrayal of violence.

The real problem with the portrayal of violence is that it creates more violence. By seeing violence, we become used to seeing violence. We have become so used to it that it no longer seems so horrible.

Psychologists tell us that the average viewer does not reason beyond about the teenage level. He does not seem able to distinguish right from wrong, especially when he sees a constant flow of what to him is the normal TV fare.

Because we see violence does not make it right. Neither does it justify creating more violence, fictional or otherwise. The appetite for sensationalism has been stimulated beyond anything imagined even 40 or 50 years ago. Censorship or not, something should be done to stop the senseless violence on TV.

Kenneth Noel
Madison, AL

Mr. Link replies: If violence on TV were presented always or even "virtually" always as the only solution to life's problems, Mr. Dreger would have a valid point. But even the most casual examination of Neilsen's top 10 or 20 (the shows people who watch TV watch the most) demonstrates that this is just a straw-man argument. Mr. Dreger's concern (shared by Mr. Noel) that some parents do not teach children the difference between right and wrong, and some can't make the distinction themselves, is real, and when this occurs, it's regrettable. But those people are on the dramatic fringe of life, not in its rather boring mainstream. While arguments characterizing the middle by the extreme are common these days, I don't think they're helpful, particularly not in this controversy. I agree with Mr. Noel's conclusion that something should be done—though by artists, not politicians—about the senseless violence on television. But until someone recognizes that there is such a thing as sense*ful* violence on television, this debate will endlessly meander in these infuriating circles.

Fit to Print

I was relieved to read Paul H. Weaver's excerpt, "The Great Pretenders." As a journalism major, I hear the noble ideals of impartial reporting reiterated in my classes each semester. Objectivity, professors tell us, is the paragon of journalism, but they neglect to address the fundamental realities of human perception: Each person experiences different conditions, situations, and feelings that dictate his or her beliefs—a bias.

Philosophers and historians understand that any personal account is laced with unavoidable bias—even in the association of words—and that no pure objectivity exists. Journalism deifies objectivity while criminalizing bias as characteristic of ineffective reporting. In searching for neutrality and denying inherent partialities, the media hogtie language into a collection of words and syntax that lacks tangibility, quote sources who lack identities, and produce stories that fuel confusion instead of resolving it. Journalism so fanatical about detachment loses sight of its purpose: to relate a story for readers to judge.

Effective journalism admits rather than conceals its bias. This does not mean disregarding facts in favor of speculation but emphasizing accuracy to support controversial opinions of "news." Comparing that point of view with other assessments would create a balanced, rather than inconclusive, perspective.

This lecture won't appear in many lesson plans at major universities; students are too busy learning the Orwellian art of using many words to say nothing at all.

Peter H. Gillette
Boulder, CO

Paul Weaver's superb article on the press reminded me of a fascinating observation by the Russian diplomat Count Nicholas Ignatiev: "What is the use of lying, when truth, well distributed, serves the same purpose?"

Andrew Beichman
Hoover Institution
Stanford, CA

As a former newspaper reporter, I found myself in wholehearted agreement with Paul Weaver's analysis of the news ("The Great Pretenders," Mar.). For me, it was endlessly frustrating to author news stories without acknowledging all the unseen forces shaping them. Editors would assign reporters to cover self-consciously staged "news" events, which we then transmitted to the reader through the jargon of journalese.

I often mused that the process by which we were reporting news stories was often more interesting and informative than the story itself. I think it is a truism that the news conveyed by the media says more about the media than it does about the world. Weaver's virtuoso essay makes this point with clarity and precision.

One way to interpret Weaver's article is as a tacit endorsement of the "new" or "literary" journalism practiced by writers such as Hunter Thompson and Tom Wolfe. Their approach to the news does away with the illusion of objective journalism and unmasks the event staging of the newsmakers. It also gives the author license to depart from the political orthodoxy and bureaucratic imperatives of the large print institutions. What does Weaver think about the New Journalism?

Peter Warren
Heritage Foundation
Washington, DC

It may well be that the majority of the media cooperate with the newsmakers to create a dog and pony show to dupe the public. Paul Weaver does a respectable job of establishing this as a plausible hypothesis. However, he falls short in backing up this view with evidence. The sample articles don't directly support his point. While their style is consistent with his view, he relies on the reader to accept his assumptions about the underlying motives for that style.

The only direct evidence Weaver provides is the "Washington dinner" story. Even in this case, the reader has to accept an implicit assumption—that the correspondent's articles were based exclusively on the aide's dinner talk. Since the stories came out during "the ensuing several weeks," there was certainly time for the correspondent to corroborate what he had heard and give a fair hearing to any opposing views. Without direct knowledge, it can't be assumed that he failed to do so.

James D. Maloy
Columbia, MD

Paul Weaver seems to be implying that the news media have some sort of responsibility to interpret and color the facts of a news event to illustrate underlying motivations and biases. This is simply not true. The function of the news media is to report the facts of a story, and nothing more. It is up to the reader to read between the lines and draw his own conclusions.

Referring to the Berkeley demonstration, Mr. Weaver says that the reporter "clearly knew a lot about the manipulative aspects of the day's events" and that the motivations of the governor were "well known to the reporter." That is a misrepresentation. The reporter did not "know" for a fact what the motivations of the various parties were. He had his suppositions and theories, presumably well-founded, but they were not facts. Therefore, they were rightly excluded from the article.

It is not the place and the function of the media to theorize and infer. And while this may unfortunately make the media accomplices to the manipulative goals of the newsmakers, the alternative is much more frightening. The specter of a press which attempts to tell the public what they ought to be thinking about a news event is much more alarming than the advantage that the newsmakers take of the media. The impersonal, objective voice that the media adopt is correct.

The real crime of the media in slanting the news is not how they report on an event but what they choose to report on. The things they choose to either ignore or focus on are much more influential than the manner in which they describe them.

Brian Thomas
Mentor, OH

Mr. Weaver replies: As Mr. Warren guesses, I liked the New Journalism's deconstructionist impulse—like many who were around at the time, I'll never forget the way Tom Wolfe annihilated radical chic with the simple device of focusing on the extraordinarily delicious hors d'oeuvres and how much everyone *loved* them at the elegant garden party Leonard and Felicia Bernstein threw on Long Island for the Black Panthers in 1970.

In my view, however, the New Journalism had two weaknesses. One, irritating but not mortal, was the tendency to get so wrapped up in the writer's subjective responses to his reportorial experiences that the topic of the story was slighted. The other, more serious, was that the new journalists specialized in the easy stuff. They took wonderful pot shots at richly deserving targets. But, having eviscerated the liars and frauds of their day, they didn't step up to the tougher job of creating a journalism that describes what really *is* going on in the world.

Mr. Maloy adopts the posture of the man from Mars: Apparently he's never heard of or experienced any of the phenomena I'm writing about, and he's not going to believe a word of it until someone presents him with mathematical proof. I have two responses. The polite one is: Read my book, which is full of further evidence and reasoning; or read the letters of Messrs. Gillette and Warren above; or read Daniel Boorstin's *The Image*; or for that matter go out and cover a few real-life stories yourself and see if you don't start seeing what we're talking about. My other response is: The vain academicism of Mr. Maloy's letter

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illustrates why so much social science today is sterile and ridiculous. By Mr. Maloy's implied standard, I guess we shouldn't accept any reports of bee stings until someone can prove scientifically why bees can fly.

Mr. Thomas illustrates the box in which 20th-century journalism has become trapped. On the one hand, he wants facts. On the other, he wants news workers to exercise no discretion other than to separate facts from everything else. This is the recipe for the culture of lying. The result of this posture is not the substantial public discourse and scrupulous journalism that Mr. Thomas would like to see but the opposite—a public discourse that is a farrago of fabrications and a press mired in irresponsibility and sleaze. As I argue in my book, journalism is a contingent and uncertain exercise, like politics, like the novel. As Mr. Gillette puts it so well, the way to get the factual, balanced, scrupulous journalism Mr. Thomas prefers is not to sweep this contingency under the rug, but to deal openly and intelligently with the fact that much of what's central to the news can't be "known for a fact" in Mr. Thomas's or Mr. Maloy's sense, yet can't be ignored either.

Contrary to what Mr. Thomas says, the voice of the news story isn't "impersonal [and] objective"—it is *ironically* impersonal and objective. That is, it is a pretense, a pose. Actually, as I said, the journalist is telling a story of crisis and emergency response—a story that he has made up (or taken from the traditions of his craft) and at least partly imposed on the newsmaker. But he pretends he's merely listing a bunch of objective facts. However, unlike the situation that prevails in successful or responsible irony, where the author tries to make sure the reader can decode his real view or posture, the modern news story deploys its irony in a manipulative or irresponsible manner, to bamboozle the reader into thinking that he really *is* reading an objective report of objective facts. I fear that Mr. Thomas is among those who are still bamboozled. He's forgetting that the objectivity of the news story is ironic, not authentic.

Nuts and Guns

Thank you for the excellent article, "Tactical Tragedies" (Mar.). Jacob Sullum's insights into the scare tactics used by politicians and anti-gun activists are quite refreshing in this day and age of gun hysteria. Few people seem to realize that making it more and more difficult for honest citizens to legally purchase firearms will in no way eliminate the incidents of lone gunmen wreaking havoc.

The only true solution to the lone-gunman problem is Mr. Sullum's advice of making it easier for the honest citizen to legally carry concealed firearms. Since a policeman is not typically present to stop the lone gunman, it is up to bystanders to thwart his efforts.

Emmanuel E. Skamangas
Fredericksburg, VA

Jacob Sullum outlines the emotion-driven and unreasonable policies of the gun-control lobby. They prey on the fears of the unthinking following tragedies involving guns.

Unfortunately, Mr. Sullum's reason fails when he equates our Second Amendment right to keep and bear arms with owning and operating a motor vehicle. His suggestion that gun ownership should be subject to licensing and mandatory training is akin to suggesting that a writer must first complete a course in reasoning and logic and then be licensed by the state before being allowed to exercise the First Amendment right to freedom of speech and the press. Perhaps he is getting caught up in the tactical aspects of the issue and losing sight of the big picture.

James Perry
Phoenix, AZ

Jacob Sullum's attempt to ridicule gun-control legislation was based primarily on two points: First, that such laws are an emotional response to atrocious acts. However, that ignores the fact that probably all of society's laws restricting human behavior arise in response to unacceptable acts which occur with unacceptable frequency.

Second, the article pointed out that some shootings have and will occur despite controls. But such logic would also argue against laws aimed at controlling murder, rape, and other violent behavior that will never be eliminated entirely with laws alone. It's easy for the writer to count the tragedies which occur despite the existence of laws and equally facile for him to ignore events which have been averted by having at least some controls. There are no handy statistics for crimes which never happened.

Stephen Bankhead
Watsonville, CA

Mr. Sullum replies: I share James Perry's concern about the erosion of respect for the Second Amendment. But I never suggested that "gun ownership should be subject to licensing and mandatory training." I said that if we took President Clinton's analogy to driver licensing seriously, "this would mean that you would need a license to carry a gun in public but *not to own one or use it on private property*." (Emphasis added.) I then outlined a liberal carry-permit policy under which anyone satisfying certain minimal requirements would have a right to a permit. Whether or not such a policy would be constitutional under the Second Amendment (arguably, it is similar to "time, place, and manner" restrictions on speech), it is a big improvement on the current situation in most jurisdictions.

It's true enough, as Stephen Bankhead notes, that emotion plays a role in many areas of public policy. That does not mean that advocates of gun control (or any policy) should be allowed to substitute emotional appeals for rational arguments. There are good reasons for laws against murder and rape, apart from our emotional reaction to particular crimes. I don't think there are similarly good reasons for

gun-control laws. But the point of my article was not to make a comprehensive case against gun control. It was to discuss a political tactic that should disturb honest, rational people on both sides of this debate.

Book Keepers

It is always a pleasure for me to see citizens getting involved in library service, whether that involvement is through a school, a university, or a public library. Without the revitalization of new thoughts, new ideas, and new people, the public library will wither and die, a fate Ms. Larson seems to believe it has earned.

However, I would like to point out two concepts Ms. Larson neglected to mention. The private libraries described in her article are generally located in states where the public funding for libraries has been slashed, and where citizens do not have the opportunity to vote directly on taxes specifically for library use. Where citizens have this right, the results are overwhelming: Library operating levies and bond issues have a passage rate of 70 percent to 80 percent. This indicates to me that people are willing to tax themselves for libraries when they are certain the library is receiving the benefit.

Also, Ms. Larson's contention that private libraries are less vulnerable to censorship due to market forces is hard to fathom. Public librarians have long been known for their determination to keep minority viewpoints available in their collections. It would be considerably easier simply to remove the contentious, the controversial, and the unpopular materials from the shelves, as the "market" would dictate. That they have not done so is a tribute to public librarians' professionalism and their dedication to free inquiry.

George M. Needham
Executive Director
Public Library Association
Chicago, IL

Miss Larson replies: As an avid reader and a lifelong patron of public libraries, I do not wish to see America's libraries "wither and die," as Mr. Needham wrongly concludes. I would simply like to see libraries enjoy the benefits of private funding. As for the willingness of citizens in some communities to pay higher taxes for libraries, as Mr. Needham mentions, I see this as further evidence that libraries could thrive on private donations, as many museums do, rather than on taxes.

Finally, Mr. Needham raises the tired point of censorship in libraries not under state control. If professional librarians are hired in *both* public and private community libraries, wouldn't he agree that the tendency to resist censorship would be the same?

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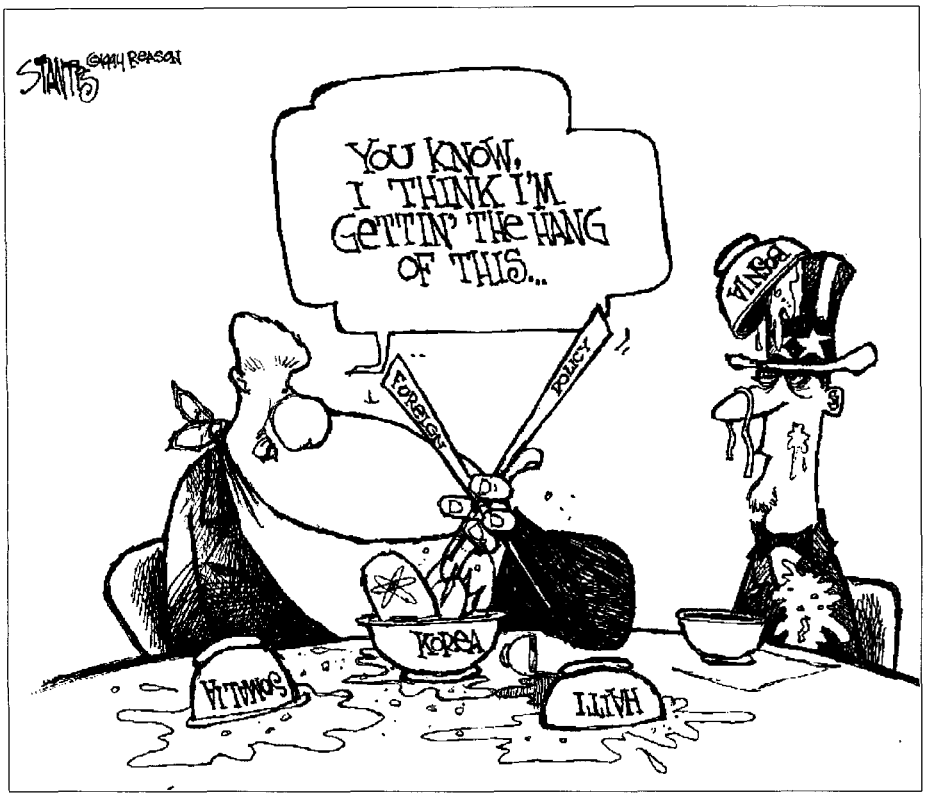


SCOTT STANTIS

■ **In London, schoolchildren were offered** cut-rate prices for tickets to see the ballet *Romeo and Juliet*. But at least one school declined to take the tickets. Headmistress Jane Brown reportedly said that until books, film, and theater reflected all forms of sexuality, she would not involve her students with the heterosexual culture.

■ **Want to help your child learn about science?** Then maybe you should buy him or her a chemistry set. Unless, of course, you live in Texas. A state law aimed at labs making illegal drugs has turned the possession of glass beakers and test tubes into a felony.

■ **New York City has announced plans to** pull up thousands of antiquated fire hydrants, creating many much-needed new parking spaces. The hydrants were made obsolete by a switch from a high- to a low-pressure water system. The switch was made in the early 1970s.

■ **Deborah Birdwell is suing the Carmike** movie theater chain. The suit stems from her attempts to see the film *Jurassic Park*. The 360-pound woman discovered that she couldn't fit into the seats at the theater. So now she's seeking to force the theater chain to install seats for obese patrons—and she wants $1.5 million.

■ **In Grand Haven, Michigan, the police** department has run up $8,000 in overdue video rental fees. The cops rented two adult tapes from the Video-Rama store and busted the owner for selling obscene material. The man, David Wingate, was acquitted at trial. Now he says the cops have to return his tapes and pay the rental fees.

■ **Oscar may have loved *Schindler's List*,** but others aren't so crazy about the film. The government of Malaysia has banned the film because it "incites sympathy for one race."

■ **Under the city of Cincinnati's new human-rights ordinance,** discrimination against "Appalachian Americans" is forbidden.

■ **Also in Cincinnati, Citizens for Community Values,** best known for their part in the battle against Robert Mappelthorpe's photographs a few years ago, have been meeting with prosecutors. The object of their ire is the local cable company. The cable company recently put Spice, a pay-per-view channel showing soft-core adult movies, on its system. Said the leader of the self-styled citizens' group, "This has come down to a major corporation forcing their values on us." God knows we wouldn't want people forcing their values on others.

■ **That same cable company, TCI, has** also angered regulators in northwest Ohio. The Telecommunications Commission of Northwest Ohio, representing 10 cities and six townships, is upset that TCI isn't charging enough. It wants the company to pass a 5-percent franchise fee on to its customers. The commission says TCI is trying to embarrass member cities.

■ **Meanwhile, in Hillsboro, Illinois, the** Rev. Anthony Dearinger faces felony charges of cruelty to children. It seems the pastor threw an 8-year-old boy across the church during a sermon to demonstrate what will happen when God meets Satan on Judgment Day.

■ **According to the U.S. Postal Service,** Chicago has the lowest customer-satisfaction rating of any major city. No wonder. In February, 40,000 pieces of undelivered mail—some more than two months old—were found in a driver's truck. A few weeks later a quarter-ton of undelivered mail, some of it nearly 20 years old, was found in one Chicago-area post office. And just a few hours earlier, police had found more than 100 pounds of mail burning under a viaduct.

—Charles Oliver

Pix in Space

The government makes it easier to sell satellite photos.

By Rick Henderson

In June 1991, Itek Optical Systems of Lexington, Massachusetts, applied to the Department of State for a license to launch a satellite so the company could sell photographs of the earth's surface. Itek President James Frey suggests that, among other uses, high-resolution satellite terrain maps could have saved lives and property after last year's Midwest floods and this year's Northridge earthquake. Itek's license application still hasn't been approved. But a March 10 decision by the Clinton administration to loosen restrictions on the sale of satellite images could get Itek, and other fledgling satellite companies, off the ground.

Communications is by far the best known and largest commercial use of satellites, but satellite images, or remote sensing, "is rapidly becoming the second genuine space-based business," reports *Aviation Week & Space Technology*. For now, the market for satellite photos seems small—perhaps no more than $400 million in annual worldwide sales—but the RAND Corporation predicts it may reach $15 billion a year by the end of the decade. France, Russia, and other nations with space programs already sell satellite photos to any willing buyer.

The U.S. government, however, classified satellites and the pictures they take as munitions, subject to the same type of export restrictions placed on Stealth fighters and Patriot missiles. A 1992 law requires the Commerce Department to rule within 120 days on whether a company can get a license to sell satellite images. But the Bush administration granted only one company, WorldView Imaging Corp. of Livermore, California, a license.

Early on, the Clinton administration let the intelligence community dictate satellite policy. The CIA, fearing that terrorists or pariah governments would purchase sensitive satellite pictures, blocked commercial remote-sensing licenses. And several federal agencies had suggested prohibiting a private remote-sensing industry, relying entirely on sale of declassified government photos. Most lawmakers and industry analysts countered that American high-tech firms were eager to enter a market that already offered photos from foreign governments and entrepreneurs.

The administration's new policy retains tight controls on the export of satellite systems but establishes a much more liberal licensing procedure for U.S. companies that want to sell photos to foreign buyers. It also prohibits domestic firms from selling images to such pariah states as North Korea, Iraq, and Libya.

The March announcement both surprised and pleased analysts and the remote-sensing industry. Analyst Scott Pace of RAND's Critical Technologies Institute praises the administration's decision. "It's now easier [for a company] selling remote-sensing data to operate in the U.S.," he says. "And we did it using competing firms, not a government monopoly, to sell that data." ®

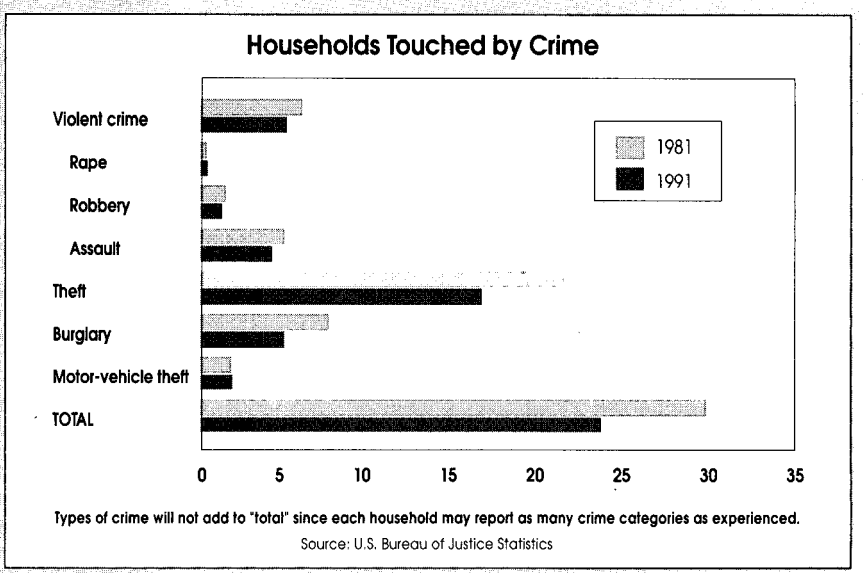
Crime Story

Fewer young men correlates with fewer crimes.

By Nick Gillespie

The U.S. Bureau of Justice Statistics reports that the percentage of households "touched by crime" dropped significantly between 1981 and 1991. A household is considered to be touched by crime if any of its members experienced a burglary, property theft, or assault, regardless of where the incident took place. In 1981, the figure stood at 30 percent of American households. Ten years later, it was 23.7 percent.

University of Pennsylvania criminologist Marvin Wolfgang warns that experts "are very bad at predicting" crime trends but notes that the most meaningful variable is the number of 15-to-24-year-old men in the general population. In 1980, 10 percent of the population fell into that category. A decade later, the figure stood at 8 percent, roughly the same share it is projected to be in 2000.



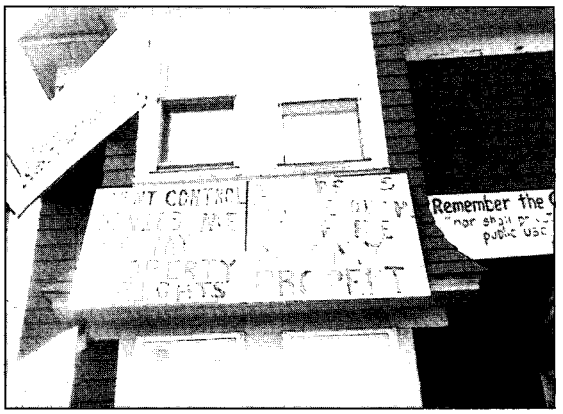
Types of crime will not add to "total" since each household may report as many crime categories as experienced.

Source: U.S. Bureau of Justice Statistics

Reining in Rent Control

The plain facts may undermine a divisive practice.

By Nick Gillespie



Property-Owner Protest: Landlords who oppose rent control on the basis of both economic theory and empirical data are prepared to take their fight all the way to the Supreme Court.

IMAGINE NOT BEING ABLE TO LEGALLY move your family into a house you own. That's what happened to a rental-property owner in Santa Monica, California. And it's one of the reasons why the Pacific Legal Foundation, a free-enterprise public-interest law firm, and the California Apartment Association, a landlord group, are taking rent control to court.

The PLF's legal strategy is to show that rent control simultaneously diminishes an owner's rights while failing to advance a governmental interest. In the late 1970s, Santa Monica and Berkeley passed rent-control legislation with the specific intent of securing and maintaining affordable housing for residents such as the elderly, college students, the physically handicapped, and low-income families.

After conducting an extensive survey of census data in comparable California cities, however, the CAA and the PLF found that during the time rent control has been in force, Santa Monica and Berkeley have experienced significant declines in precisely the populations the legislation was intended to protect. By virtually every standard, including median income, demographic breakdowns, availability of rental units, and average education level, the two communities have become more exclusive after a decade of rent control. The survey is central to the PLF's argument, since the courts will only consider the actual effects of rent control in deciding on its legality.

The PLF will represent landlords in California's lower courts and says it will exhaust the appeals process, going to the U.S. Supreme Court, if necessary. Although there have been court challenges to rent control in the past, "this is the first time a combination of the economic anti–rent control theory and empirical data will be used," says James Burling, the PLF's director of property rights. The PLF will bring cases later this year in Santa Monica, Berkeley, Escondido, and Cotati.

The PLF hopes that rent control will ultimately be ruled unconstitutional. "Hopefully, [our cases] may also make the courts look more carefully at the rationale for economic regulation, especially since so many government regulations have the opposite effect of what's intended," says Burling. ®

Family Planning

Killing welfare reform in court?

By Rick Henderson

NEARLY A DOZEN STATES ARE CONsidering ways to limit welfare payments to women who have additional children. (See "Working on Welfare," April) A lawsuit challenging New Jersey's 1992 Family Development Act could derail these and other welfare-reform efforts.

New Jersey provides a $64 monthly subsidy for each child a welfare mother bears. Under the Family Development Act and a waiver from federal regulations, the state now freezes these subsidies when a woman on Aid to Families with Dependent Children has additional children.

Last December, the National Organization for Women's legal defense fund, the American Civil Liberties Union, and several Legal Services Corp. offices filed suit to make subsidies for additional welfare children a constitutional right. These organizations argue that limiting welfare benefits illegally interferes with a woman's right to decide how many children she will bear.

In March, the Institute for Justice, a public-interest law firm in Washington, D.C., filed suit to intervene on behalf of two welfare-reform advocacy groups, the American Legislative Exchange Council and the Empowerment Network Foundation. Dirk Roggeveen, the institute's senior litigation attorney, argues that parents, not taxpayers, should bear the responsibility for the cost of having additional children.

Roggeveen predicts that if NOW succeeds, more than the New Jersey program will be imperiled. Virginia recently passed a welfare-reform law with a New Jersey-style "family cap." Maryland is considering a similar bill. And the Clinton administration favors workfare programs that cut off AFDC benefits for welfare mothers who are able to work. Since workfare jobs don't pay higher wages to people from larger families, says Roggeveen, the NOW lawsuit could derail any welfare reform that doesn't base the amount of its subsidies on the number of people in a welfare family.

"The clear intent of HHS waivers is to let each [state] program run as an experiment," Roggeveen says. If NOW prevails, he says, welfare advocates could tie up every waiver in court. R

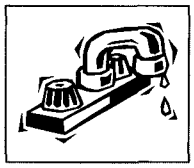
LUCY BRAUN

Balance Sheet

By Rick Henderson

Assets

Enterpreneurial Engine. Houston's 70-year-old jitney ban is history. Saying jitney owner Alfredo Santos's "opportunity to pursue [his] livelihood is a constitutionally protected liberty interest," U.S. District Judge John Rainey struck down the ban as an illegitimate form of "economic protectionism." The decision could be a precedent in other economic-liberties cases.



Germ Warfare. More than 3 million children in developing countries die each year from diseases they contract from polluted water. Entrepreneurs help avert this tragedy. French company Lyonnaise-Dumez provides water and sewer services for 10 million residents of Buenos Aires, reports *The Economist*. And in Jakarta, 32 percent of the residents buy water from street vendors; another 54 percent rely on private wells.

Shift Work. Following his colleagues in Chicago and Philadelphia, New York's new mayor takes on public-employee unions. Rudolph Giuliani gains concessions to buy out or lay off 7,600 city workers immediately. More important, says *The New York Times*, he can attack patronage by reassigning city workers to different agencies.

Tech Peace. The Coordinating Committee for Multilateral Export Controls—the Cold War's high-tech trade regulator—goes out of business. No longer will the Commerce Department demand to issue a license every time a domestic company wants to sell a product overseas. Xerox and Motorola will receive general licenses that let them sell to any civilian customer, and AT&T estimates China may buy $40 billion in telecommunications equipment by 2000.

Liabilities

Wrong Number. In Washington, *deregulation* means "micro-management by Capitol Hill." Democrat-backed telecommunications reforms force companies to rebate savings to customers rather than invest in new high-tech equipment. Bills sponsored by Sen. Fritz Hollings (D-S.C.) and Rep. John Dingell (D-Mich.) require telephones to be made in the USA with less than 40 percent foreign parts. US West Chairman Richard McCormick tells *The Wall Street Journal* that having no legislation would be better than the current bills.

Butt Out. The anti-smoking crusade gets dumber. (See "Smokenders," May.) Rep. Henry Waxman (D-Calif.) suggests the impossible: make tobacco companies produce nicotine-free cigarettes. If nicotine leads to chemical dependency, tobacco companies should instead *boost* nicotine levels so smokers can get their fix with fewer puffs.

Fashion Statement. The silk blouse, a wardrobe staple for millions of working women, gets more expensive. U.S. Trade Warrior,—er, Representative—Mickey Kantor announces quotas against imported silk garments. The American Textile Manufacturing Institute estimates the quotas will reduce imports by one-sixth. Say bye-bye to the $19.95 silk shell and hello to our old friend polyester.

Reinventing Bureacracy. While states cut welfare costs, the Clinton administration unveils new programs that spend more. (See "Working on Welfare," Apr.) "Empowerment zones" are no longer deregulated business districts but bureaucracies that dole out food stamps, health care, and other welfare benefits. The $26-billion "community development" plan also includes expanded Head Start and job training.

Lesson Time

Home schooling gets a boost.

By Elizabeth Larson

PARENTS WHO PREFER TEACHING their children at home have a new ally in Santa Rosa, California: the public-school system. When one parent works at home as the teacher the family often loses much-needed income, but in the Bennett Valley School District a new program helps out parents by subsidizing their home-schooling efforts.

Back in 1991, superintendent Lyle Graff faced declining enrollment in Bennett Valley as parents opted to take their children to districts with few restrictions on home schooling. In an effort to keep the kids—and the tax dollars that accompany them—in his district, Graff came up with a plan to actively support, not just tolerate, home schooling: The district would help out parents financially by giving them a portion of the tax-allotment per pupil, since, as Graff has pointed out, "they are the ones doing the teaching."

The program, which enrolled just 22 students in its first year, has taken off. About 250 kids, from kindergarten through the sixth grade, now participate. In addition to reimbursing their parents up to $1,000 per child per year for purchasing books and taking field trips, the Bennett Valley school district also lets home-schooled kids use the school library and attend photo and health-examination days.

While the project has received praise from local parents and such parenting publications as *Mothering*, there are some critics. Cato Institute Senior Editor Sheldon Richman, who home-schools his three children, says the Bennett Valley program "is seductive—but it worries me." He is concerned that regulation will eventually follow the money into the homes and suggests a system of tax credits rather than direct subsidies. "I don't like to be an impediment to reform," he explains, "but I would be leery about accepting money from the government for my kids and then have it come back to haunt me later." ®

The Price of Life

Federal regulations impose huge costs but save few lives—even in theory.

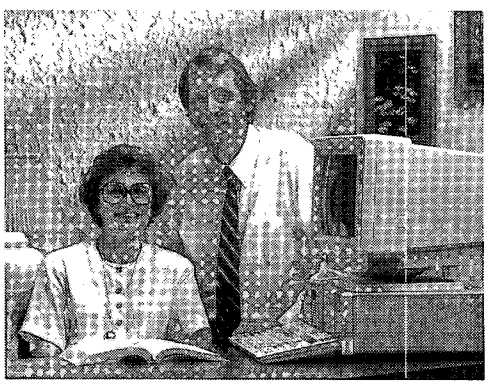
By Rick Henderson

THE FEDERAL GOVERNMENT IS REquiring school districts to remove asbestos insulation from approximately 110,000 school buildings across the country. A study from the Washington, D.C., environmental think tank Resources for the Future finds that the $6 billion school districts must spend might save 125 lives.

In their study, economists Maureen Cropper of the University of Maryland and George Van Houtven of East Carolina University examined regulations under three environmental laws: the asbestos ban under the Toxic Substances Control Act; pesticides regulated by the Federal Insecticide, Fungicide and Rodenticide Act from 1975 to 1989; and air pollutants governed by the Clean Air Act from 1975 to 1990. They used Environmental Protection Agency estimates of the number of people who would develop fatal cancers from involuntary exposure to the substances and the costs those regulations imposed.

Preventing involuntary exposure to avoid the theoretical additional case of cancer costs plenty: The authors estimate that the asbestos ban cost consumers $49 million for each life saved; the 19 pesticides examined cost $51.5 million per life saved. By contrast, concludes a 1989 article from the *Journal of Policy Analysis and Management*, workers who voluntarily deal with hazardous substances demand only about $5 million in higher wages per statistical death to compensate for their risks—a substantial sum but a tenth of the regulatory costs.

The Clean Air Act prohibits the EPA from even considering the cost of regulations. Cropper and Van Houtven, however, suggest that prior to 1987 the agency was indeed considering costs before issuing regulations. Inhaling polluted air tends to be toxic only when the pollutants are heavily concentrated; it poses little risk at low levels. The EPA was not regulating such toxic substances as benzene and vinyl chloride unless exposure to them would cause more than one additional cancer death per 10,000 persons exposed. The authors estimate that regulations before 1987 cost $15 million per life saved. Since then, however, a court decision has required tighter controls. The result: Each cancer case now costs $194 million to avoid, money that could almost certainly save more lives elsewhere. ®



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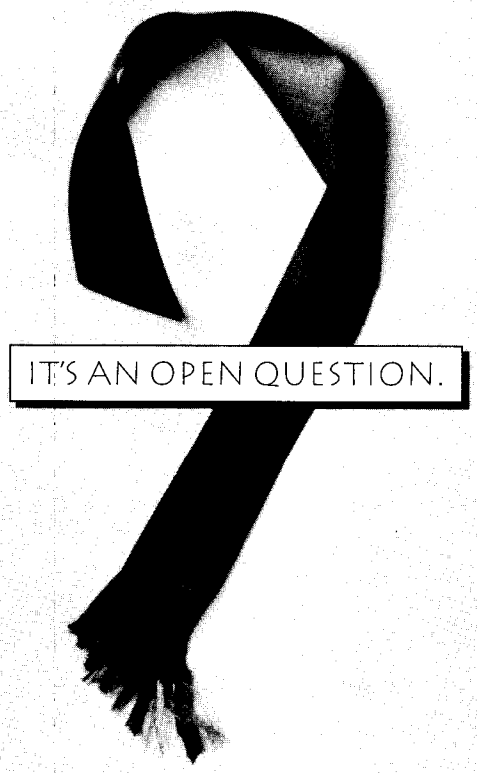
WHAT CAUSES AIDS?



By Charles A. Thomas Jr., Kary B. Mullis, and Phillip E. Johnson

Most Americans believe they know what causes AIDS. For a decade, scientists, government officials, physicians, journalists, public-service ads, TV shows, and movies have told them that AIDS is caused by a retrovirus called HIV. This virus supposedly infects and kills the "T-cells" of the immune system, leading to an inevitably fatal immune deficiency after an asymptomatic period that averages 10 years or so. Most Americans do not know—because there has been a virtual media blackout on the subject—about a longstanding scientific controversy over the cause of AIDS, a controversy that has become increasingly heated as the official theory's predictions have turned out to be wrong.

HOLLY FREEDMAN

Leading biochemical scientists, including University of California at Berkeley retrovirus expert Peter Duesberg and Nobel Prize winner Walter Gilbert, have been warning for years that there is no proof that HIV causes AIDS. The warnings were met first with silence, then with ridicule and contempt. In 1990, for example, *Nature* published a rare response from the HIV establishment, as represented by Robin A. Weiss of the Institute of Cancer Research in London and Harold W. Jaffe of the U.S. Centers for Disease Control. Weiss and Jaffe compared the doubters to people who think that bad air causes malaria. "We have...been told," they wrote, "that the human immunodeficiency virus (HIV) originates from outer space, or as a genetically engineered virus for germ warfare which was tested in prisoners and spread from them. Peter H. Duesberg's proposition that HIV is not the cause of AIDS at all is, to our minds, equally absurd." Viewers of ABC's 1993 *Day One* special on the cause of AIDS—almost the only occasion on which network television has covered the controversy—saw Robert Gallo, the leading exponent of the HIV theory, stomp away from the microphone in a rage when asked to respond to the views of Gilbert and Duesberg.

Such displays of rage and ridicule are familiar to those who question the HIV theory of AIDS. Ever since 1984, when Gallo announced the discovery of what the newspapers call "HIV, the virus that causes AIDS," at a government press conference, the HIV theory has been the basis of all scientific work on AIDS. If the theory is mistaken, billions of dollars have been wasted—and immense harm has been done to persons who have tested positive for antibodies to HIV and therefore have been told to expect an early and painful death. The furious reactions to the suggestion that a colossal mistake may have been made are not surprising, given that the credibility of the biomedical establishment is at stake. It is time to think about the unthinkable, however, because there are at least three reasons for doubting the official theory that HIV causes AIDS.

HIV RESEARCHERS ARE STILL UNABLE TO EXPLAIN HOW HIV DAMAGES THE IMMUNE SYSTEM, MUCH LESS HOW TO STOP IT. THE PRESENT STALEMATE CONTRASTS DRAMATICALLY WITH THE CONFIDENCE EXPRESSED IN 1984. AT THAT TIME RESEARCHERS THOUGHT THE VIRUS KILLED CELLS DIRECTLY BY INFECTING THEM, AND U.S. GOVERNMENT OFFICIALS PREDICTED A VACCINE WOULD BE AVAILABLE IN TWO YEARS. TEN YEARS LATER NO VACCINE IS IN SIGHT, AND THE CERTAINTY ABOUT HOW THE VIRUS DESTROYS THE IMMUNE SYSTEM HAS DISSOLVED IN CONFUSION.

First, after spending billions of dollars, HIV researchers are still unable to explain how HIV, a conventional retrovirus with a very simple genetic organization, damages the immune system, much less how to stop it. The present stalemate contrasts dramatically with the confidence expressed in 1984. At that time Gallo thought the virus killed cells directly by infecting them, and U.S. government officials predicted a vaccine would be available in two years. Ten years later no vaccine is in sight, and the certainty about how the virus destroys the immune system has dissolved in confusion.

Second, in the absence of any agreement about how HIV causes AIDS, the only evidence that HIV *does* cause AIDS is correlation. The correlation is imperfect at best, however. There are many cases of persons with all the symptoms of AIDS who do not have any HIV infection. There are also many cases of persons who have been infected by HIV for more than a decade and show no signs of illness.

Third, predictions based on the HIV theory have failed spectacularly. AIDS in the United States and Europe has not spread through the general population. Rather, it remains almost entirely confined to the original risk groups, mainly sexually promiscuous gay men and drug abusers. The number of HIV-infected Americans has remained constant for years instead of increasing rapidly as predicted, which suggests that HIV is an old virus that has been with us for centuries without causing an epidemic.

No one disputes what happens in the early stages of HIV infection. As other viruses do, HIV multiplies rapidly, and it sometimes is accompanied by a mild, flu-like illness. At this stage, while the virus is present in great quantity and causing at most mild illness in the ordinary way, it does no observable damage to the immune system. On the contrary, the immune system rallies as it is supposed to do and speedily reduces the virus to negligible levels. Once this happens, the primary infection is over. If HIV does destroy the immune system, it does so years after the immune system has virtually destroyed it. By then the virus typically infects very few of the immune system's T-cells.

Before these facts were well understood, Robert Gallo and his followers insisted that the virus does its damage by directly infecting and killing cells. In his 1991 autobiography, Gallo ridiculed HIV discoverer Luc Montagnier's view that the virus causes AIDS only in the company of as yet undiscovered "co-factors." Gallo argued that "multifactorial is multi-ignorance" and that, because being infected by HIV was "like being hit by a truck," there was no need to look for additional causes or indirect mechanisms of causation.

All that has changed. As Warner C. Greene, a professor of

medicine at the University of California, San Francisco, explained in the September 1993 *Scientific American*, researchers are increasingly abandoning the direct cell-killing theory because HIV does not infect enough cells: "Even in patients in the late stages of HIV infection with very low blood T4 cell counts, the proportion of those cells that are producing HIV is tiny—about one in 40. In the early stages of chronic infection, fewer than one in 10,000 T4 cells in blood are doing so. If the virus were killing the cells just by directly infecting them, it would almost certainly have to infect a much larger fraction at any one time."

Gallo himself is now among those who are desperately looking for possible cofactors and exploring indirect mechanisms of causation. Perhaps the virus somehow causes other cells of the immune system to destroy T-cells or induces the T-cells to destroy themselves. Perhaps HIV can cause immune-system collapse even when it is no long present in the body. As Gallo put it at an AIDS conference last summer: "The molecular mimicry in which HIV imitates components of the immune system sets events into motion that may be able to proceed in the absence of further whole virus."

But researchers have not been able to confirm experimentally any of the increasingly exotic causal mechanisms that are being proposed, and they do not agree about which of the competing explanations is more plausible. When *The New York Times* interviewed the government's head AIDS researcher, Anthony Fauci, in February, reporter Natalie Angier summarized his view as a sort of stew of all the leading possibilities: "It [HIV] overexcites some immune signaling pathways, while eluding the detection of others. And though the main target of the virus appears to be the famed helper T-cells, or CD-4 cells, which it can infiltrate and kill, the virus also ends up stimulating the response of other immune cells so inappropriately that they eventually collapse from overwork or confusion." No other virus is credited with such a dazzling repertoire of destructive skills.

Perhaps it is the HIV scientists who are collapsing from overwork or confusion. The theory is getting ever more complicated, without getting any nearer to a solution. This is a classic sign of a deteriorating scientific paradigm. But as HIV scientists grow ever more confused about how the virus is supposed to be causing AIDS, their refusal to consider the possibility that it may not be the cause is as rigid as ever. On the rare occasions when they answer questions on the subject, they explain that "unassailable epidemiological evidence" has established HIV as the cause of AIDS. In short, they rely on correlation.

THE SEEMINGLY CLOSE CORRELATION BETWEEN AIDS AND HIV IS LARGELY AN ARTIFACT OF THE MISLEADING DEFINITION OF AIDS USED BY THE U.S. CENTERS FOR DISEASE CONTROL. AIDS IS A SYNDROME DEFINED BY THE PRESENCE OF ONE OR MORE OF 30 INDEPENDENT DISEASES—WHEN ACCOMPANIED BY A POSITIVE RESULT ON A TEST THAT DETECTS ANTIBODIES TO HIV. THE SAME DISEASE CONDITIONS ARE NOT DEFINED AS AIDS WHEN THE ANTIBODY TEST IS NEGATIVE. TUBERCULOSIS WITH A POSITIVE ANTIBODY TEST IS AIDS; TUBERCULOSIS WITH A NEGATIVE TEST IS JUST TB.

The seemingly close correlation between AIDS and HIV is largely an artifact of the misleading definition of AIDS used by the U.S. government's Centers for Disease Control. AIDS is a syndrome defined by the presence of one or more of 30 independent diseases—*when accompanied by a positive result on a test that detects antibodies to HIV.* The same disease conditions are not defined as AIDS when the antibody test is negative. Tuberculosis with a positive antibody test is AIDS; tuberculosis with a negative test is just TB.

The skewed definition of AIDS makes a close correlation with HIV inevitable, regardless of the facts. This situation was briefly exposed at the International AIDS Conference in Amsterdam in 1992, when the existence of dozens of suppressed "AIDS without HIV" cases first became publicly known. Instead of considering the obvious implications of these cases for the HIV theory, the authorities at the CDC, who had known about some of the cases for years but had kept the subject under wraps, quickly buried the anomaly by inventing a new disease called ICL (Idiopathic CD4+Lymphocytopenia)—a conveniently forgettable name that means "AIDS without HIV."

There are probably thousands of cases of AIDS without HIV in the United States alone. Peter Duesberg found 4,621 cases recorded in the literature, 1,691 of them in this country. (Such cases tend to disappear from the official statistics because, once it's clear that HIV is absent, the CDC no longer counts them as AIDS.) In a 1993 article published in *Bio/Technology*, Duesberg documented the consistent failure of the CDC to report on the true incidence of positive HIV tests in AIDS cases. The CDC concedes that at least 40,000 "AIDS cases" were diagnosed on the basis of presumptive criteria—that is, without antibody testing, on the basis of diseases such as Kaposi's sarcoma. Yet these diseases can occur without HIV or immune deficiency. Perhaps some of the patients diagnosed as having AIDS would have tested negative, or actually did test negative, for HIV. Physicians and health departments have an incentive to diagnose patients with AIDS symptoms as AIDS cases whenever they can, because the federal government pays the medical expenses of AIDS patients

under the Ryan White Act but not of persons equally sick with the same diseases who test negative for HIV antibodies.

The claimed correlation between HIV and AIDS is flawed at an even more fundamental level, however. Even if the "AIDS test" were administered in every case, the tests are unreliable. Authoritative papers in both *Bio/Technology* (June 1993) and the *Journal of the American Medical Association* (November 27, 1991) have shown that the tests are not standardized and give many "false positives" because they react to substances other than HIV antibodies. Even if that were not the case, the tests at best confirm the presence of antibodies and not the virus itself, much less the virus in an active, replicating state. Antibodies typically mean that the body has fought off a viral infection, and they may persist long after the virus itself has disappeared from the body. Since it is often difficult to find live virus even in the bodies of patients who are dying of AIDS, Gallo and others have to speculate that HIV can cause AIDS even when it is no longer present and only antibodies are left.

Just as there are cases of AIDS without HIV, there are cases of HIV-positive persons who remain healthy for more than a decade and who may never suffer from AIDS. According to Greene's article in *Scientific American*, "It is even possible that some rare strains [of HIV] are benign. Some homosexual men in the U.S. who have been infected with HIV for at least 11 years show as yet no signs of damage to their immune systems. My colleagues...and I are studying these long-term survivors to ascertain whether something unusual about their immune systems explains their response or whether they carry an avirulent strain of the virus."

THERE ARE CASES OF HIV-POSITIVE PERSONS WHO REMAIN HEALTHY FOR MORE THAN A DECADE AND WHO MAY NEVER SUFFER FROM AIDS. RESEARCHER WARNER C. GREENE THINKS THAT IT IS EVEN POSSIBLE THAT SOME STRAINS OF HIV ARE BENIGN. SOME HOMOSEXUAL MEN WHO HAVE BEEN INFECTED WITH HIV FOR AT LEAST 11 YEARS SHOW NO DAMAGE TO THEIR IMMUNE SYSTEMS. GREENE IS STUDYING THESE MEN TO SEE IF SOMETHING ABOUT THEIR IMMUNE SYSTEMS EXPLAINS THEIR RESPONSE OR WHETHER THEY CARRY AN AVIRULENT STRAIN OF THE VIRUS.

The faulty correlation between HIV and AIDS would not disprove the HIV theory if there were strong independent evidence that HIV causes AIDS. As we have seen, however, researchers have been unable to establish a mechanism of causation. Nor have they succeeded in confirming the HIV model by inducing AIDS in animals. Chimps have repeatedly been infected with HIV, but none of them have developed AIDS. In the absence of a mechanism or an animal model, the HIV theory is based only upon a correlation that turns out to be primarily an artifact of the theory itself.

In light of the importance of the correlation argument, it is astonishing that no controlled studies have been done for three of the major risk groups: transfusion recipients, hemophiliacs, and drug abusers. Two ostensibly controlled studies involving men's groups in Vancouver and San Francisco purportedly show that AIDS developed only in the HIV-positive men and never in the "control group" of HIV negatives. These studies were designed not to test the HIV theory but to measure the rate at which HIV-positive gay men develop AIDS. They did not compare otherwise similar persons who differ only in HIV status, did not control effectively for drug use, and did not fully report the incidence of AIDS-defining diseases in the HIV-negative men. The research establishment accepted these studies uncritically because they give the HIV theory some badly needed support. But the main point they supposedly prove has already been thoroughly disproved: AIDS *does* occur in HIV-negative persons.

According to the official theory, HIV is a virus newly introduced into the American population, which has had no opportunity to develop any immunity. It follows that viral infection should spread rapidly, moving from the original risk groups (gays, drug addicts, transfusion recipients) into the general population. This is what the government agencies confidently predicted, and AIDS advertising to this day emphasizes the theme that "everyone is at risk."

The facts are otherwise. AIDS is still confined mainly to the original risk groups, and AIDS patients in the United States are still almost 90-percent male. Health-care workers, who are constantly exposed to blood and bodily fluids of AIDS patients, have no greater risk of contracting AIDS that the population at large. Among millions of health-care workers, the CDC claims only seven or eight (poorly documented) cases of AIDS supposedly developed through occupational exposure. By contrast, the CDC estimates that accidental needle sticks lead to more than 1,500 cases of hepatitis infection each year. Even prostitutes are not at risk for AIDS unless they also use drugs.

Far from threatening the general heterosexual population, AIDS is confined mainly to drug users and gay men in specific urban neighborhoods. According to a 1992 report by the prestigious U.S. National Research Council, "The convergence of evidence shows that the HIV/AIDS epidemic is settling into spatially and socially isolated groups and possibly becoming endemic

within them." This factual picture is so different from what the theory predicts, and so threatening to funding, that the AIDS agencies have virtually ignored the National Research Council report and have continued to preach the fiction that "AIDS does not discriminate."

Not only is AIDS mostly confined to isolated groups in a few U.S. cities, but HIV infection is not increasing. Although a virus newly introduced to a susceptible population should spread rapidly, for several years the CDC has estimated that a steady 1 million Americans are HIV positive. Now it appears that the figure of 1 million is finally about to be revised—downward. According to a story by Lawrence Altman in the March 1 *New York Times*, new statistical studies indicate that only about 700,000 Americans are HIV positive, and the official estimate will accordingly be reduced sometime this summer.

While HIV infection remains steady at this modest level in the United States, World Health Organization officials claim that the same virus is spreading rapidly in Africa and Asia, creating a vast "pandemic" that threatens to infect at least 40 million people by the year 2000, unless billions of dollars are provided for prevention to the organizations sounding the alarm. These worldwide figures, especially from Africa, are used to maintain the thesis that "everyone is at risk" in the United States. Instead of telling Americans that AIDS cases here are almost 90-percent male, authorities say that worldwide the majority of AIDS sufferers are female. With the predictions of a mass epidemic in America and Europe failing so dramatically, AIDS organizations rely on the African figures to vindicate their theory.

But these African figures are extremely soft, based almost entirely on "clinical diagnoses," without even inaccurate HIV testing. What this means in practice is that Africans who die of diseases that have long been common there—especially wasting disease accompanied by diarrhea—are now classified as AIDS victims. Statistics on "African AIDS" are thus extremely manipulable, and witnesses are emerging who say that the epidemic is greatly exaggerated, if it exists at all.

In October 1993, the *Sunday Times of London* reported on interviews with Philippe and Evelyne Krynen, heads of a 230-employee medical relief organization in the Kagera province of Tanzania. The Krynens had first reported on African AIDS in 1989 and at that time were convinced that Kagera in particular was in the grip of a vast epidemic. Subsequent years of medical work in Kagera have changed their minds. They have learned that what they had thought were "AIDS orphans" were merely children left with relatives by parents who had moved away and that HIV-positive and HIV-negative villagers suffer from the same diseases and respond equally well to treatment. Philippe Krynen's verdict: "There is no AIDS. It is something that has been invented. There are no epidemiological grounds for it; it doesn't exist for us."

PHILIPPE AND EVELYNE KRYNEN, HEADS OF A MEDICAL RELIEF ORGANIZATION IN THE KAGERA PROVINCE OF TANZANIA, FIRST REPORTED ON AFRICAN AIDS IN 1989. THEY WERE CONVINCED THAT KAGERA WAS IN THE GRIP OF A VAST EPIDEMIC. SUBSEQUENT YEARS OF WORK IN KAGERA HAVE CHANGED THEIR MINDS. WHAT THEY HAD THOUGHT WERE "AIDS ORPHANS" WERE MERELY CHILDREN LEFT WITH RELATIVES BY PARENTS WHO HAD MOVED AWAY. HIV-POSITIVE AND HIV-NEGATIVE VILLAGERS SUFFER FROM THE SAME DISEASES AND RESPOND EQUALLY WELL TO TREATMENT.

Krynen's remark calls attention to the fact that AIDS is not a disease. Rather, it is a syndrome defined by the presence of any of 30 separate and previously known diseases, accompanied by the actual or suspected presence of HIV. The definition has changed over time and is different for Africa (where HIV testing is rare) than for Europe and North America. The official CDC definition of AIDS in the United States was enormously broadened for 1993 in order to distribute more federal AIDS money to sick people, especially women with cervical cancer. As a direct result, AIDS cases more than doubled in 1993. Absent the HIV mystique, there would be no reason to believe that a single factor is causing cervical cancer in women, Kaposi's sarcoma in gay males, and slim disease in Africans.

The HIV paradigm is failing every scientific test. Research based upon it has failed to provide not only a cure or vaccine but even a theoretical explanation for the disease-causing mechanism. Such success as medical science has had with AIDS has come not from the futile attempts to attack HIV with toxic antiviral drugs like AZT but from treating the various AIDS-associated diseases separately. Predictions based on the HIV theory have been falsified or are supported only by dubious statistics based mainly on the theory itself. Yet the HIV establishment continues to insist that nothing is wrong and to use its power to exclude dissenting voices, however eminent in science, from the debate.

Like other leaders of the scientific establishment, *Nature* Editor John Maddox is fiercely protective of the HIV theory. He indignantly rejected a scientific paper making the same points as this article. When Duesberg first argued his case in 1989 in the prestigious *Proceedings of the National Academy of Science*, the editor promised that his paper would be answered by an article defending the orthodox viewpoint. The response never came. The

editors of the leading scientific journals have refused to print even the brief statement of the Group for the Scientific Reappraisal of the HIV/AIDS Hypothesis, which has over 300 members. The statement notes simply that "many biomedical scientists now question this hypothesis" and calls for "a thorough reappraisal of the existing evidence for and against this hypothesis."

Such a reappraisal would include the following elements:

Genuinely controlled epidemiological studies of all the major risk groups: homosexuals, drug users, transfusion recipients, and hemophiliacs. The studies should employ an unbiased definition of AIDS. Too often we have been told that HIV always accompanies AIDS, only to learn that this is so because AIDS without HIV is named something else. The studies should be performed by persons who are committed to investigating the HIV theory rather than defending it. There is reason to suspect that properly controlled studies of transfusion recipients and hemophiliacs in particular will show that the incidence of AIDS-defining diseases is independent of HIV status.

An audit of the CDC statistics to remove HIV bias and thereby allow unprejudiced testing of the critical epidemiological evidence for the theory. Every effort should be made to determine how many AIDS patients were actually tested for antibodies and the testing method that was employed. Because even the most reliable antibody test generates many false-positive results, researchers should try to validate the tests by examining random samples of AIDS patients to determine whether significant amounts of replicating HIV can be found in their bodies. Statistics have been kept as if the purpose were to protect the HIV theory rather than to learn the truth.

Research focusing on the cause of particular diseases rather than the politically defined hodgepodge of diseases we now call AIDS. The cancer-like skin disease called Kaposi's sarcoma (KS) is one of the best-known AIDS-defining conditions, but leading KS and HIV experts Marcus Conant and Robin Weiss now say that dozens of non-HIV KS cases are under study in the United States and that KS is becoming much less frequent in gay male AIDS patients than it formerly was. Conant, Weiss, and other AIDS researchers now frankly attribute KS to an "unknown infectious agent" rather than to HIV, but KS is nonetheless still called AIDS when it occurs in combination with HIV. Duesberg attributes KS in gay males to the use of amyl nitrates (poppers) as a sexual stimulant. His theory is eminently testable, and it ought to be given a fair chance. Another example: Hemophiliacs in the age of AIDS are living longer than they ever did in the past, but they still often die of conditions related to receipt of the blood concentrate called Factor VIII. Research published in *The Lancet* in February confirms earlier reports that symptoms diagnosed as AIDS are best treated by providing a highly purified form of Factor VIII. Researchers should study the role of blood-product impurities in causing disease in hemophiliacs, without the distortion that comes from arbitrarily assuming that HIV is responsible whenever an HIV-positive hemophiliac becomes ill.

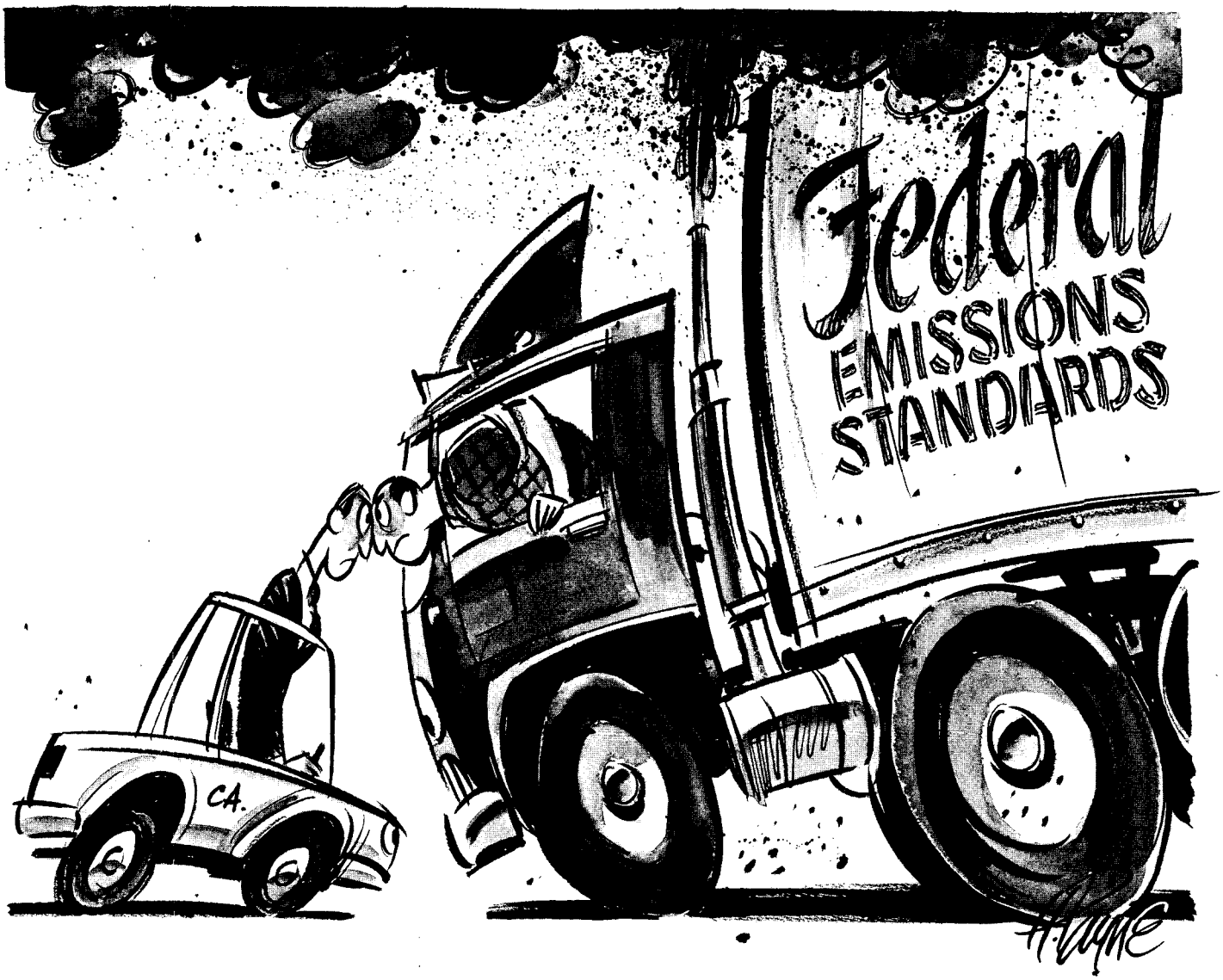
A critical re-examination of the statistics for AIDS and HIV in Africa and Asia. Researchers should perform new, controlled studies of representative African populations to test the relationship of confirmed HIV infection to the incidence of AIDS-defining diseases. It will not do to rely upon "presumptive diagnoses" or extrapolations from single antibody tests that are now well known to generate many false positives.

The HIV establishment and its journalist allies have replied to various specific criticisms of the HIV theory without taking them seriously. They have never provided an authoritative paper that undertakes to prove that HIV really is the cause of AIDS—meaning a paper that does not start by assuming the point at issue. The HIV theory was established as fact by Robert Gallo's official press conference in 1984, before any papers were published in American journals. Thereafter, the research agenda was set in concrete, and skeptics were treated as enemies to be ignored or punished. As a result, the self-correcting processes of science have broken down, and journalists have not known how to ask the hard questions. After 10 years of failure, it is time to take a second look. ®

THE HIV THEORY WAS ESTABLISHED AS FACT BY ROBERT GALLO'S OFFICIAL PRESS CONFERENCE IN 1984, BEFORE ANY PAPERS WERE PUBLISHED IN AMERICAN JOURNALS. THEREAFTER, THE RESEARCH AGENDA WAS SET IN CONCRETE, AND SKEPTICS WERE TREATED AS ENEMIES TO BE IGNORED OR PUNISHED. AS A RESULT, THE SELF-CORRECTING PROCESSES OF SCIENCE HAVE BROKEN DOWN, AND JOURNALISTS HAVE NOT KNOWN HOW TO ASK THE HARD QUESTIONS. AFTER 10 YEARS OF FAILURE, IT IS TIME TO TAKE A SECOND LOOK.

Charles A. Thomas Jr., a biochemist, is president of the Helicon Foundation in San Diego and secretary of the Group for the Scientific Reappraisal of the HIV/AIDS Hypothesis. Kary B. Mullis is the 1993 Nobel Prize winner in chemistry for his invention of the polymerase chain reaction technique, for detecting DNA, which is used to search for fragments of HIV in AIDS patients. Phillip E. Johnson is the Jefferson E. Peyser Professor of Law at the University of California, Berkeley.

BREATHING ROOM



HENRY PAYNE

CALIFORNIA FACES DOWN THE EPA OVER CENTRALIZED SMOG CHECKS.

BY DANIEL KLEIN AND CHRISTINA SARACENI

Some people are easy to trust. When someone carefully explains what he means, listens to your doubts and confusions, and painstakingly meets every inquiry with a well-informed, evenhanded response, you can't help but trust him.

That's how it is talking to Douglas Lawson, a major contributor to the study of air pollution. Lawson is one of those earnest, "but-wait-there's-still-a-problem-here" type of guys. While he worked for the California Air Resources Board, the state's lead smog agency, he turned over stones—quite by accident at first—that others preferred left unturned. Then he scrupulously pursued his findings. Now he's at the center of a raging scientific debate, which in turn fuels a raging policy debate, which in turns fuels an ongoing public debate about the competence and integrity of the Environmental Protection Agency.

In California, the testing of automobile exhaust emissions—"smog check"—is decentralized. Thousands of private service stations perform emission inspections and offer to make any necessary repairs. Until recently, however, the EPA had been demanding that states centralize their smog-check programs by creating a small number of government-operated facilities respon-

sible only for inspecting cars, not for repairing them. The EPA claims, with some evidence, that decentralized programs are more open to corruption and fraud than centralized programs. But after working out plans for new centralized programs in every other smog-check state, the EPA met massive resistance in California. This March, even after the EPA threatened to withhold federal highway money, California fended off the agency.

California's success is the start of a nationwide rebellion. Other states are already mustering nerve and repudiating centralized inspection. The battleground, however, goes far beyond smog-check issues. The science behind California's defiance also calls into question many related programs—such as alternative fuels, federally imposed engine-design standards, electric vehicles, and forced car-pooling—that the EPA claims will reduce mobile-source smog problems. The real issue, then, is nothing less than the 1990 Clean Air Act and its enforcement by the EPA.

The EPA is at a crossroads. It can face up to the new findings by Lawson and others and take up new strategies for policing smog. But that's not an easy course of action for a massive organization that has invested tax dollars, political influence, professional expertise, and personal identities in the promotion of elaborate programs. The other option is to stay the course and put the screws to all insurgents. But then the EPA and the Clinton administration will face rebellion on all sides and end up in court with reasonable people like Doug Lawson picking apart the agency on scientific grounds.

CALIFORNIA'S SUCCESS IS THE START OF A NATIONWIDE REBELLION. OTHER STATES ARE MUSTERING NERVE AND REPUDIATING CENTRALIZED INSPECTION. THE BATTLEGROUND, HOWEVER, GOES FAR BEYOND SMOG-CHECK ISSUES. THE SCIENCE BEHIND CALIFORNIA'S DEFIANCE QUESTIONS MANY PROGRAMS—SUCH AS ALTERNATIVE FUELS, FEDERALLY IMPOSED ENGINE-DESIGN STANDARDS, ELECTRIC VEHICLES, AND FORCED CAR-POOLING—THAT THE EPA CLAIMS WILL REDUCE MOBILE-SOURCE SMOG. THE REAL ISSUE IS NOTHING LESS THAN THE 1990 CLEAN AIR ACT AND ITS ENFORCEMENT BY THE EPA.

When Lawson first came to the California Air Resources Board in 1980, smog issues were relatively quiet. Researchers performed two basic tasks. First, they estimated the amount of each pollutant emitted into the air, basing the estimates—called "inventories"—on measurements of stationary and mobile sources. Then they theorized how pollutants mixed in the air to form smog gases such as ozone. For 20 years, the experts got their inventories and theoretical models to agree. Sensibly enough, the car-emission component of the mobile-source inventory was based partly on smog-check records. But since California smog checks are performed only once every two years on idling cars, they may not represent what moving automobiles actually emit the other 729 days of the biennium.

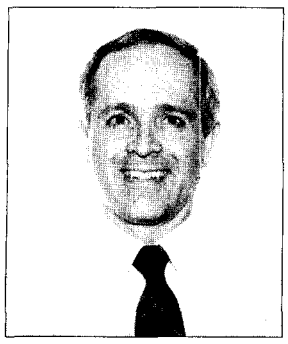
In 1987, Lawson was responsible for a study of real-life car emissions. The objective was to investigate not regulated pollutants such as carbon monoxide, hydrocarbons, and nitrogen oxides but unregulated gases such as benzene, formaldehyde, and other carcinogens. Lawson's group set up equipment that took readings of the pollutants in the open air that entered a tunnel in Van Nuys, California, and compared them to measures of the air exiting the tunnel after so many cars, for so many minutes, had contributed exhaust emissions to the composition. Unfortunately, the tunnel study failed in its main objective because the tunnel was too short to obtain accurate measurements of the unregulated pollutants.

But Lawson's group stumbled onto something it wasn't looking for: The regulated-gas readings were reliable but far out of line with expected levels. The cars in the tunnel emitted 300 percent to 700 percent more hydrocarbons than expected and 200 percent to 400 percent more carbon monoxide. Only the nitrogen oxide readings were even close to the model inventories, and even they were much higher than expected. Either something was wrong with the tunnel study or something was wrong with official estimates, and Lawson wanted to find out which. Flaws in the tunnel study would have produced systematic discrepancies. Instead, the tunnel readings for hydrocarbons, carbon monoxide, and nitrogen oxides departed from the expected results by vastly different factors, suggesting that something was drastically wrong with the official estimates of automobile-exhaust emissions.

The tunnel study introduced the first of three great challenges to smog policy: *Mobile-source emissions have been greatly underestimated.* As a result, too much of the pollution has been attributed to stationary sources. Blaming stationary sources has helped to justify all manner of restrictions on sources such as oil refineries, manufacturers, print shops, dry cleaners, wood-burning stoves, and charcoal lighter fluids. The tunnel study findings, which have been substantiated in subsequent tests, suggest that too much regulation is aimed at nickel-and-dime problems.

Lawson figured that the Air Resources Board had to find out more about emissions as they really occur on the road. He had heard about a new device that measures carbon monoxide in exhaust from cars as they travel along the road. The device, called a remote sensor, had been developed by a chemist at the University of Denver, Donald Stedman.

If Doug Lawson is an unassuming Clark Kent figure, then Donald Stedman is Errol Flynn's Robin Hood, speaking treason, fluently, to the seat of power. In a 1993 letter to the



DOUGLAS LAWSON: AFTER HIS STUDIES SHOWED CARS CAUSE MUCH MORE AIR POLLUTION THAN OFFICIAL ESTIMATES HELD, HE PERSUADED CALIFORNIA REGULATORS TO TEST REMOTE SENSING. THAT STUDY'S RESULT: THE VAST MAJORITY OF POLLUTION COMES FROM ONLY A FEW CARS. THE DIRTIEST 10 PERCENT OF CARS EMITTED 50 PERCENT OF THE CARBON MONOXIDE.

EPA, the transplanted Englishman declared that the only way to get him to stop accusing the EPA of intransigent behavior was for the EPA to *stop* behaving intransigently. And he'd be happy to argue the matter in court.

Stedman's work on remote sensing started in 1979, when he and colleagues at the University of Michigan constructed a very crude device to measure car emissions. There was no research money available and little interest at the time, but the makeshift unit was to Stedman's mind a "proof of concept."

That concept was deceptively simple: An infrared source shines a beam across the road. The beam passes through a car's exhaust plume and is altered by the gases. A detector on the other side of the road receives the altered beam and can infer the carbon monoxide content in the exhaust plume. The sensor would later be modified to read hydrocarbons content as well.

But it was some time before Stedman could raise money to improve upon his early model. He had sought funding from the EPA's Mobile Source Division but got nowhere. After relocating to Denver in 1983, Stedman received funding from the Colorado Office of Energy Conservation, selling the office on the idea that a fully honed remote sensor could be used to alert motorists with dirty engines that a tune-up would get them better gas mileage. Stedman of course saw that the really important implications of remote sensing would be in smog policy, not energy conservation, but he relished the opportunity to pursue the project whatever the funding source.

Stedman and his colleague Gary Bishop, who wrote the software for reading the incoming infrared signal, went to work. By December 1986 they had the sensor on the road and, as Stedman puts it, "It worked better than we had any right to expect." Stedman and Bishop measured the emissions of 618 on-the-road cars. From that early, limited demonstration, Stedman tentatively concluded that, contrary to then-accepted theories, there was little or no necessary link between a vehicle's age and its level of emissions. The real variable was the condition of the engine. Eight years and one-and-a-half million cars (on four continents) later, those findings still stand.

In 1989, Lawson persuaded the Air Resources Board to do an on-road study using Stedman's device. Lawson and Stedman set it up in Lynwood, California, (just south of Los Angeles) and not only read the carbon monoxide of passing cars but flagged the gross polluters to check under the hood.

The Lynwood study advanced the two other major challenges to established thinking on smog. First: *A majority of the pollution comes from a small minority of gross-polluting cars.* Lawson and Stedman found that the dirtiest 10 percent of cars emitted 50 percent of the carbon monoxide, while the cleanest 50 percent emitted a mere 5 percent. The sharply skewed distribution of emissions casts traditional smog-check policy in an absurd light. Making everyone report for a biennial inspection is like making everyone spend a few days in jail for the crimes committed by just a few culprits. If there is a way to identify culprits and make only them report for engine adjustment, air quality could be improved at a fraction of the current cost of smog checks.

Therein lies the third great challenge, which since 1988 has been sending quakes through the air-policy establishment: *Remote sensing indisputably works.* Lawson and Stedman proved it in Lynwood by performing traditional smog tests on cars that had been flagged by the remote-sensor test and demonstrating that the two tests match. This and other methods have shown, time after time, that remote sensing makes accurate measurements of carbon monoxide and hydrocarbons.

In 1991 field research, Lawson, now at the University of Nevada's Desert Research Institute, and Stedman further debunked the myth of the dirty old clunker and substantiated that maintenance is more important than age when it comes to emission levels. But they also discovered another major source of trouble by looking under the hood of flagged cars: tampering with emission controls. About two-thirds of the gross polluters had emission-control systems out of conformance with the law, and a majority of those systems had been deliberately tampered with. Since the under-the-hood follow-up was voluntary, the figures probably underestimate tampering. Lawson and Stedman tell of the gross-polluting new Porsches that sped off as soon as they heard the words "not under obligation."

If tampering is widespread and causes high emissions, then a scheduled emissions inspection every two years is a waste of time and money. It is like combatting drunk driving by having people report for a biennial breathalyzer test. Existing remote-sensing technology, however, can automatically match a car's emissions to its license plate, and gross polluters can be sent a fine or a citation to report for closer inspection. Because of its extremely low cost (about 50 cents per car) and portability, remote sensing is capable of random but pervasive surveillance while inconveniencing only the guilty few.

Of course, it is one thing for researchers to make important discoveries and publish scientific articles. It is quite another thing for state officials and lawmakers to recognize new developments. That is where a charismatic L.A. deputy district attorney named Joseph Charney has made a big difference. Stedman says that Charney has been enormously influential, first by utilizing remote sensing in actual smog busts,

but more so by his tireless promotion of the technology in political circles. Furthermore, says Stedman, Charney is a genuine environmentalist. As a student in the 1960s, Charney leaned leftward and took up law as a way to serve the poor and environmental causes. In his late 30s, however, Charney came over to "free-market environmentalism" and is now an avid reader of economist and social philosopher F. A. Hayek.

Charney learned about Stedman's remote sensor from early coverage in REASON. (See "Going Mobile," August/September 1990.) Co-workers in the environmental crimes division of the L.A. County district attorney's office had long suspected that smog checks weren't working, but no one knew how to ferret out dirty cars. "I saw immediately that remote sensing would be the missing piece," says Charney.

Another convert to remote sensing in 1990 was Republican Rep. Joe Barton of Texas, who sits on the House Energy and Commerce Committee. He read a *Wall Street Journal* article by Stedman that trashed oxygenated fuels and promoted remote sensing. Barton, who has a master's degree in engineering, got excited about the idea and contacted Stedman. Then the congressman had a remote sensing clause included in the 1990 Clean Air Act. This stroke was crucial—now remote-sensing supporters could hope to persuade the EPA to favor remote sensing in its enforcement of the Clean Air Act. And if the agency failed to pursue the technology, they could claim in court that the EPA was straying from its mandate.

Meanwhile, Lawson was exploring the extent of the failure of smog checks. After the Lynwood study, he realized that the old orthodoxies about mobile-source emissions would never stand up to empirical analysis. "I said to myself," he recollects, "I bet the data of on-road emissions have never been carefully analyzed."

Lawson took the Air Resources Board's data from hundreds of on-road emission readings and searched for a relationship between the emission levels and the time since the car's last smog check. If the smog-check program was making cars clean, he reasoned, then the typical car would get progressively dirtier with the passage of time since its last smog check. In fact, the data showed nothing of the kind. On average, cars that had recently passed smog checks were just as dirty as cars soon due for inspections.

Tampering by motorists was only part of the explanation. Charney's people were tracking another significant contributing factor: fraudulent smog-check inspectors. Armed with binoculars and video cameras, the deputy district attorney's team staked out service stations that performed smog checks, recording incoming and outgoing cars. They compared their observations with the state's on-line smog-check records of when the stations tested cars. Station records showed testing when no such car was observed at the station. Crooked smog inspectors would receive registration information by fax about a car seeking smog certification, enter the information into the system, and do the tailpipe test on a house car, a practice known as "cleanpiping." Charney's division busted more than 40 smog inspectors for faking smog checks.

From the cleanpiping records, Charney picked up the trail of the Bell Cab company, the recipient of many fraudulent certificates. Using a Stedman remote sensor leased by the Air Resources Board, Charney monitored taxicab emissions at Los Angeles International Airport. Bell's cabs were filthy; subsequently, Charney raided the company's office and verified emission-control device tampering. Charney is currently pursuing used-car dealers in similar fashion. "You could probably show that Charney has done more to clean the air in L.A. than smog check has in the same period," says Stedman.

Smog checks, then, weren't failing just because of bad science. They were also incapable of guarding against all kinds of fraud, including tampered engines, bribed inspectors, and cleanpiping scams. By 1992, everyone agreed that California's decentralized smog-check program was an abject failure.

But they disagreed bitterly over what to do about it. Nationwide, the EPA was pushing hard for centralized inspection that would separate the testing and repairing functions. Air Resources Board officials backed a modified centralized scheme proposed by their consultant, Sierra Research (no connection to the Sierra Club). And, not surprisingly, California's 9,000 practicing smog-check stations lobbied for preservation of the current system.

TOM CHERREY

DONALD STEDMAN TESTING CAR EMISSIONS: Making everyone report for a biennal smog inspection is like making everyone spend a few days in jail for the crimes committed by just a few culprits. Because of its low cost and portability, remote sensing is capable of random but pervasive surveillance while inconveniencing only the guilty few.

Then there were the skeptics such as Charney, Lawson, and Stedman. "Arguing over whether we should have centralized scheduled inspection or decentralized scheduled inspection is like arguing over whether we should paint the equipment blue or paint it green," says Charney. Instead of trying to somehow salvage the current system, a quickly emerging band of revisionists pushed for a complete rethinking of smog-check policy. With the results of Lawson and Stedman to lean on, they proved to be remarkably effective.

California's smog-check program had been designed by the Air Resources Board under the leadership of Thomas Austin, who left the agency in 1981 to form Sierra Research. In 1992, Sierra was hired to write the Inspection and Maintenance Review Committee's report, which endorsed a modified centralized inspection scheme. The board supported Sierra's pitch to reinforce scheduled inspection and downplay remote sensing.

California lawmakers pondered whether to follow the Air Resources Board–Sierra proposal or to second-guess the state agency. Revisionist notions were reaching state legislators, notably from Buzz Breedlove at the California Research Bureau. In 1991 Breedlove had written a powerful report advocating remote sensing. Stedman says that Breedlove was very important in sowing the seeds of doubt in Sacramento. The legislature was also growing leery of the cozy relationship between the Air Resources Board and Sierra Research.

The state Senate Transportation Committee decided to second-guess. Lawson appeared before the committee and recommended that a "blue-ribbon" panel be formed to study his findings and those of Sierra. The Senate committee took Lawson's advice. Among the blue-ribbon members were Charney and University of California at Irvine economist Charles Lave, who was to produce a research report. Additionally, the Senate committee hired the RAND Corporation to report on the alternative smog-check systems.

Things went badly for the Air Resources Board and Sierra. Not only did both Lave and Jerome Aroesty of RAND confirm Lawson's findings, they also concluded that the Air Resources Board–Sierra study lacked both evidence for the effectiveness of their proposed program and grounds for downplaying remote sensing. The Air Resources Board–Sierra report, it turned out, relied on a major undercover study also carried out by those same groups. Lave and Aroesty found the study very poorly designed and documented, even to the point that it surreptitiously departed from its reported protocol.

Sierra was disgraced, and the Air Resources Board was chagrined. The negative reports led the legislature to bypass the Air Resources Board in ensuing deliberations, listening instead to revisionist voices such as Charney and Lave. The smog-check skeptics were making good headway in California at the state level, but there was still the EPA to contend with.

Lave's and Aroesty's findings criticized not only the Air Resources Board–Sierra scheme, but the EPA's centralized scheme as well. Lave proposed that the state postpone major changes except to supplement the current program with remote sensors. The California Senate supported a bill sponsored by Republican state Sen. Newton Russell that reflected Lave's advice: It included preservation of the current system, a new deployment of remote sensing, and the building of a few special test-only stations. Such a system combining remote sensing with the status quo was in open defiance of the EPA's push towards centralization.

Remote-sensing enthusiasts and the 9,000 licensed smog inspectors have formed a cool alliance. In the near term, they are united against centralized inspection. But looking ahead, the inspectors have mixed feelings about remote sensing. Charney has told smog-check operators that if the government can identify and punish on-road gross polluters, it will leave inspection and maintenance to unregulated private-sector action. "The government should police outputs, not inputs," he says. "If remote-sensing moves forward without serious hitches, the government should reevaluate the need for scheduled inspection." If a remote-sensing program shows scheduled inspections to be unnecessary, the smog-check stations would lose that end of the business. They would, however, gain business in repairing dirty cars detected by remote sensing.

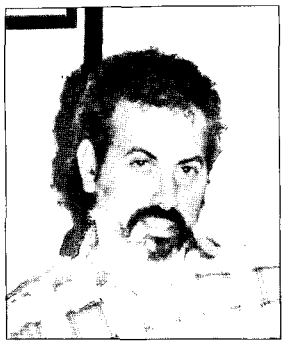
In late 1993, the EPA and the Clinton administration played tough with California, threatening to withhold highway funds. But it became evident that California would test the threat. EPA chief Carol

UNIVERSITY OF DENVER

DONALD STEDMAN: Under Southern California's mandatory car-pooling regulations, it costs $3,000 to get one car off the road. Using generous estimates of pollution from such cars, the program cuts carbon monoxide emissions at a rate of $11,700 per metric ton. Remote sensing, by contrast, can reduce carbon monoxide for only $200 a metric ton. Dollar for dollar, it cleans the air 60 times better than mandatory car pooling.

Browner backed off. When the Assembly passed its version of the Russell bill, Browner struck a deal with the Democratic leadership of the state Senate. She said that if the Senate sat on the issue until the new year, the feds would defer sanctions. Browner was hoping to buy some time, or perhaps to dissipate revisionist momentum.

When the legislature reconvened early this year, however, the state stuck to its guns. And before the EPA could even consider punitive sanctions, the Northridge earthquake hit on January 17, collapsing several interstate highways in and around Los Angeles. Even as the extensive quake damage handed the EPA a huge bargaining chip, the Clinton administration realized that withholding highway funds would also alienate voters in the nation's most populous state.



JOSEPH CHARNEY: THE DEPUTY DISTRICT ATTORNEY'S TEAM BUSTED MORE THAN 40 SMOG INSPECTORS FOR FRAUD. SAYS STEDMAN, "YOU COULD PROBABLY SHOW THAT CHARNEY HAS DONE MORE TO CLEAN THE AIR IN L.A. THAN SMOG CHECK HAS IN THE SAME PERIOD." WITH REMOTE SENSING, CHARNEY SUGGESTS, SCHEDULED INSPECTIONS OF ALL CARS WON'T BE NEEDED.

So instead the EPA and California reached an accord in March described by the *Los Angeles Times* as a "substantial retreat" by the EPA. The agreement includes a pilot remote-sensing program for Sacramento County and a small number of test-only stations for inspecting gross polluters, tamperers, and a few regular motorists. As for the 9,000 licensed smog-check stations, except for possible equipment changes and new training, they will carry on as before.

By making the deal, the EPA may have doused the smoldering fire in California, but it certainly fanned the flames of resentment in the more than 20 states forced by the EPA to adopt centralized smog-check systems. After all, if California doesn't have to go centralized, why should they? Nevada and Georgia have already suspended their plans, pending further negotiations with the EPA. William Becker, director of a Washington-based organization of state and local air-pollution regulators, told the *Los Angeles Times*, "I've not seen a backlash on an issue like I have on this one. It was as if a tremendous shot was heard across the country."

On the federal level, members of Congress are organizing action against the EPA. With the ineffectiveness of traditional smog-check systems becoming widely accepted and the freezing of highway funds no longer a credible threat, the EPA has lost most of its leverage. Whether the EPA will surrender unconditionally on centralized inspection remains to be seen.

But the California accord is critical not only in the smog-check battle. It is also central to the the much-larger war over the EPA's attempts to implement the 1990 Clean Air Act. Perhaps that's why the EPA has been fighting so harshly for centralized inspection and against remote sensing. The revisionist learning that argues against scheduled emissions inspection also argues against alternative fuel programs, electric vehicle quotas, engine-emission standards, and mandatory car pooling—all of which figure prominently in the EPA's current clean-air agenda. If remote sensing can pinpoint the real culprits at very low cost, the air-quality justifications for other broad-based command-and-control programs are vitiated.

Consider car pooling requirements. A regional regulation for greater Los Angeles requires large employers to promote car pooling. This has taken some cars off the road, but program costs are astronomical. The annual cost of getting one car off the road works out to $3,000. Using generous estimates of pollution from such cars, the program reduces carbon monoxide emissions at a rate of $11,700 per metric ton. By contrast, a remote-sensing demonstration project in Provo, Utah, reduced carbon monoxide for only $200 per metric ton. Dollar for dollar, remote sensing cleaned the air 60 times better than mandatory car pooling.

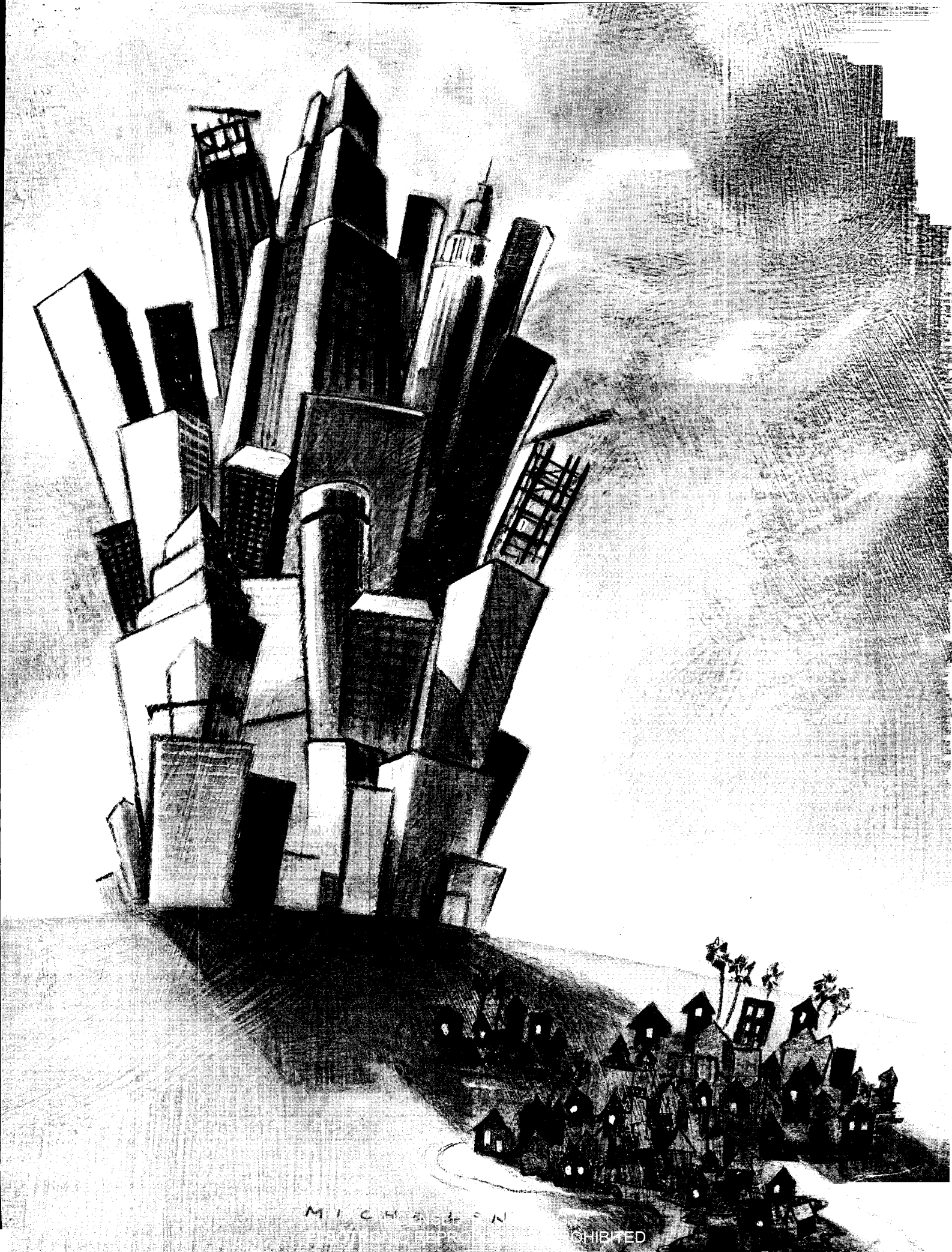
With the environmental and economic benefits of remote sensing gaining widespread acceptance, it is clear that the EPA has lost the smog-check war. It is no longer an issue of whether remote-sensing technology is superior to the centralized system espoused by the EPA. The only questions remaining are when the EPA and the Clinton administration will come on board and to what extent they will allow good science to guide air-control policy.

Lawson continues to produce scientific papers challenging established thinking and spurring modelers to make better estimates of smog inventories. True to form, he has recently demonstrated that the majority of cars that fail in the current smog-check program are only marginal emitters and that most of these marginal emitters actually *increase* their pollution emissions after their smog-check repairs. A new paper concludes that centralized testing is slightly better than decentralized, but neither is significantly better than no program at all—yet Californians currently expend half a billion dollars a year on smog checks.

Charney has formed a group, the Air Policy Council, to communicate scientific developments to policy makers; Lawson and Lave are members. Charney has also been nominated to serve on the committee overseeing the remote-sensing program for Sacramento County.

Stedman continues to blast the old guard and to refine his remote-sensing unit. Currently, he is developing a companion remote-sensing beam to read nitrogen-oxide emissions. With the EPA in retreat and his remote-sensing technology coming into vogue, Stedman pauses to muse over the EPA's current predicament: "I think it's hilarious." R

Daniel Klein is assistant professor of economics at the University of California, Irvine, and co-author of the Lave report. Christina Saraceni is an economics student at U.C.-Irvine.



PROHIBITED

A Tale of Two Countries

The human costs of protectionism

By William McGurn

Teresa Concepcion had high hopes for her future.

Although her father was only a farmer with a grade-school education, things were looking bright for the new generation of Filipinos. By the time Teresa (not her real name) was born, the country had risen from the ashes of World War II to achieve not only independence and a working democracy but the second-highest standard of living in the Far East after Japan's. In 1970 she entered a local university. Four years later, degree in hand, she took a job as a social worker supervising day-care centers. That's when her dreams began to dissolve.

Teresa had expected only a modest salary. Upon entering the working world, however, she was stunned to find out exactly how low wages were, not only in her profession but throughout the Philippines. Her paycheck brought in barely $40 a month. By now she was married and had given birth to the first of three sons. Her husband, a surveyor's assistant with the Bureau of Land and Natural Resources, made no more than she did. Even such basics as clothing and baby food became more than they could afford. And so, after eight years of incessant financial struggling, Teresa and her husband made a critical decision.

In the summer of 1983, she hugged her husband and three boys—ages 7, 5, and 3—and, with money borrowed from her in-laws, boarded a plane bound for Hong Kong at Manila Airport. At age 33, she was leaving her family behind to begin a completely new career: as a maid.

Teresa was not alone. Some 105,000 Filipinas labor in Hong Kong as *amahs,* or maids. Almost a decade after the People's Power revolution that toppled Ferdinand Marcos, the plight of these women remains a standing indictment of the Philippine government's staunchly protectionist economic policies. Like Teresa, the amahs are for the most part smart, relatively well-educated women who found the door of opportunity slammed shut at home. They have college degrees in disciplines ranging from accounting to education, yet they find themselves cooking meals and scrubbing floors for Hong Kong shop clerks and secretaries. Like Teresa, many of them are mothers who are now raising other people's children while their own grow up without them. Underscoring their predicament is a cruel irony: A generation ago, Filipino families imported Chinese maids.

Today the situation has reached crisis proportions. Within East Asia, disparities in prosperity have led to huge labor outflows, mostly from poorer countries such as the Philippines to richer ones such as Hong Kong, Singapore, and Korea. The maids are only the legal tip of a Filipino iceberg that includes such diverse occupations as nightclub dancers, construction workers, shop clerks, and mechanics. Their growing numbers and negative image have become sensitive issues both at home and abroad. When Teresa first arrived in Hong Kong 10 years ago, there were only 24,800 Filipina amahs at work; now there are more than four times that many, and locals complain that the women occupy the city center on Sundays, their one day off.

In the Philippines, the debased condition of these women has led to legislation calling for an end to the Overseas Worker Program. In 1993, Philippine public opinion was outraged by the death of a Filipina nightclub hostess in Japan whom Japanese authorities said died from hepatitis but whose family claimed she had been beaten. Filipinos are also upset by the virtual identification of *domestic* with Filipina throughout the region.

The current president, Fidel Ramos, has vowed to reverse some of the longstanding policies that have sent so many Filipinos abroad—a promise that the Philippine people have heard many times before. Ramos's biggest obstacle is a reluctance among the Philippine establishment to admit that its self-perpetuating economic policies are largely responsible for the country's descent into poverty.

Over the years, Philippine leaders have ascribed their abysmal economic failure to any number of root causes, including their colonial heritage, Marcos-era greed, and a series of natural disasters. The truth, however, is that the country's poverty is no accident and the quandary in which Filipina maids find themselves owes itself almost directly to the most pernicious of eco-

MARC MICHELON

nomic sins: protectionism. For the past 40 years, under the guise of ensuring the country's economic sovereignty, successive Philippine governments have enacted laws that have discouraged foreign investment, concentrated wealth in fewer and fewer hands, and diminished the standard of living for the average Filipino to the point where less than 50 percent of the country earns a subsistence wage.

Philippine leaders have ascribed their abysmal economic failure to causes including their colonial heritage, Marcos-era greed, and a series of natural disasters. The truth is that the country's poverty owes itself almost directly to protectionism. Under the guise of ensuring the country's economic sovereignty, successive Philippine governments enacted laws that discouraged foreign investment, concentrated wealth in a few hands, and diminished the standard of living to the point where less than 50 percent of the country earns a subsistence wage.

Nowhere is this clearer than in a comparison between the Philippines and Hong Kong, just a two-hour flight from Manila and the destination of so many Filipino laborers desperate for work. Just as the Philippines owes its current status as "the sick man of Asia" to longstanding protectionist policies, Hong Kong owes its stupendous wealth today to an ongoing commitment to open markets and a hands-off approach to business. For the past decade, Hong Kong has boasted an unemployment rate of under 2 percent, and its residents purchase more each year than the Japanese, other Asians, or Europeans. In 1993, Hong Kong's per-capita income even surpassed that of its colonial protector, Great Britain.

But Hong Kong was no more destined to be wealthy than the Philippines was destined to be poor. If anything, it was a prime candidate for the sort of economic anemia that afflicts the Philippines. Lord Palmerston's remark about Hong Kong upon its 1842 acquisition by the British—he called it "a barren island with hardly a house upon it"—was a fair description of its seeming promise, and even today its crowded population is spread over an inhospitable terrain that makes it utterly dependent on its neighbors even for basic resources such as water.

If Hong Kong's natural obstacles to wealth were considerable, the man-made ones were downright staggering. No sooner had the colony begun to recover from the Japanese occupation of World War II than the Communist takeover of the mainland sent hundreds of thousands of desperate refugees to its shores. A few years later, a United Nations–imposed boycott of China saw Hong Kong lose its largest market overnight. Back in the 1950s and '60s, the experts were not talking about the "Hong Kong miracle." Back then, they were wondering if Hong Kong would survive.

Hong Kong withstood these pressures primarily by remaining open to foreign investment. While the Philippines and other East Asian nations chose to coddle their industries and put their faith in central planning, Hong Kong forced all its industries to compete with the rest of the world on their own merits and on a completely equal basis. And now, when countries such as South Korea are busy trying to pare down huge bureaucracies spawned by protectionism, Hong Kong is free to do productive business. There are no foreign exchange controls, and foreign companies are free to take their profits out if they choose. Taxes are stable and minimal, with none on capital gains and a flat tax on corporate profits. As Milton Friedman once quipped, "To see how the free market really works, Hong Kong is the place to go."

This prosperity and freedom are largely the legacy of Hong Kong's legendary financial secretary, John James Cowperthwaite. During the 1960s, Hong Kong was said to be governed "by the gospel of Adam Smith as expounded by his disciple John James Cowperthwaite." Arriving in the colony as a cadet officer in the civil service just three months after the Japanese surrender and charged with getting the economy back on its feet, Cowperthwaite immediately noted the degree to which Hong Kong's resilient economy had already recovered without any government help. Cowperthwaite's strength was that, more than most, he understood that even the most brilliant planner was no match for the collective genius of the market.

Whether it was water—which in those days was always in short supply—or food or energy, Cowperthwaite insisted that the best way around the problem was to allow free pricing among suppliers and to keep the doors open to anyone who wanted to enter. He did his part by keeping taxes low and refusing to spend more than he took in. "I see no reason," he once said to a request for government to finance lower water rates, "why someone who is content with a cold shower should subsidize someone who is able to luxuriate in a deep hot bath." Cowperthwaite, in fact, was so distrustful of intervention in the economy that he refused to allow the government to keep statistics on gross national product—on the grounds that if the government kept the statistics they would only misuse them.

This strategy was not simply do-nothingism. At the same time the government was keeping taxes low and spending under control, it embarked on a public housing scheme that would eventually shelter more than half the population. The difference was that Cowperthwaite could afford to do this since he maintained fiscal restraint and resisted calls to subsidize Hong Kong industry or give them any protection.

"Had Cowperthwaite taken the advice or yielded to all those who wanted more government intervention," says Richard Wong

of the Hong Kong Center for Economic Research, "Hong Kong would not have prospered. By keeping Hong Kong open he ensured that it would remain competitive."

Certainly history has vindicated Cowperthwaite's judgment. During the 10 years between 1961 and 1971 that Cowperthwaite was Hong Kong's financial secretary, income grew faster there than anywhere else in Asia. The policy of keeping the door open to imports also fueled an export boom—at a phenomenal average annual rate of 13.8 percent over these years. Real wages increased by more than 50 percent over this period and remain roughly twice those of both Korea and Taiwan.

Amahs on their Sunday off: *Smart, well-educated Filipinas find the door to opportunity slammed shut at home and must work as maids in Hong Kong to support their families.*

Hong Kong's disavowal of protectionism extends to the lack of anti-dumping laws that are used even in the United States to keep competitors out. "Any economist will tell you that when you keep foreign business out you simply hurt your own people," says Hong Kong treasury secretary and former trade negotiator, Donald Tsang. "All you are doing is cutting your nose off to spite your face. We keep our economy open because it is in our self-interest."

If Hong Kong owes its impressive wealth to a conscious political decision not to micro-manage the economy, the Philippines' pervasive poverty represents the negative version of the same argument. There, a series of conscious economic choices made over the past four decades—especially a hostile attitude toward foreign investors—has allowed local monopolies to flourish at the expense of both workers and consumers.

Some have called it "crony capitalism." But the preferences enjoyed under this arrangement have little in common with capitalism, and the cronies would lose their protected empires tomorrow if the state weren't propping them up. The ruling elite in the Philippines has taken a country with a well-educated English-speaking work force and an enviable location smack dab in the midst of the world's fastest growing market and turned it into an economic basket case.

This took some doing. Providence had bequeathed the Philippines many advantages, including an almost inexhaustible supply of natural resources: gold, iron ore, copper, cement, salt, granite, marble. Its soil was rich and its produce bountiful, including rice, sugar, coconuts, tobacco, bananas, and avocados. In the late 1950s and early '60s, it was second in Asia only to Japan, and everyone assumed that its future would be as bountiful as its present.

As the World Bank put it in an upbeat report, "By comparison with most underdeveloped countries, the basic economic position of the Philippines is favorable....[Apart from its] generous endowment of material resources and high level of literacy, other favorable factors are the growth of the labor force, the availability of managerial and technical skills, the high level of savings and investment, rather good prospects for most of the Philippines exports, and considerable possibilities for import substitution." The Philippines was considered so successful, in fact, that in the '60s Manila was sending specialists to Korea to advise them on *their* development.

But the Philippines never realized its potential. Instead of opening the door to foreign investors with the money and the wherewithal to make something of its resources, the Philippines wrapped itself in the cloak of protectionism. Under the guise of nationalism—the country had achieved independence in 1946—the Philippines passed a series of laws limiting what they called "alien" (foreign) involvement in the economy. It started with a limit imposed on alien-owned market stalls in Manila and soon covered everything from access to credit to quotas on imports. By the end of the '50s, this had evolved into a full-fledged ideology called "Filipino First" that would figure prominently in the presidential elections for years to come.

In 1960, Philippine President Garcia summed up the Filipino First policy as merely "an honest-to-goodness effort of the Filipino people to be master of their own economic household." His secretary for commerce and industry, Manuel Lim, likewise described the policy as simply an effort to ensure that Filipinos get some share of the benefits flowing to foreign investors. Of course, it was slightly more than this. Although both Garcia and Lim went out of their way to say the Filipino First policy would be fair to outsiders, they both saw foreign involvement in the economy as a "threat" and a cause for alarm. Although the policy was later relaxed somewhat, the emphasis remained on ensuring Philippine "supremacy."

"It's the classic mistake for developing countries," says Richard Wong. "Despite all the populist rhetoric, whenever you make it more difficult for foreigners, all you are doing is taking money from the public and putting it into the hands of the vested interests."

In the Philippines, protectionism was intertwined with racism. Many of the local entrepreneurs belonged to the country's sizable Chinese minority, and many of the government regulations attempted to force them from their economic niches. Two of the

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most infamous regulated participation in retail selling and the corn and rice industries. In June 1954, President Ramon Magsaysay signed "An Act to Regulate the Retail Business," which was followed by a 1964 measure that tightened the screws even more. The gist of the regulations was that no industry or store could sell directly to the public unless it was Filipino owned; otherwise the business had to sell to a Filipino first. The object was to make sure that Filipinos got a piece of the action on every sale. But in practice, the regulations simply created a middleman who raised the final cost to the consumer. The almost-immediate effects included a precipitous drop in the number of newly registered retail businesses and a sharp rise in general prices.

Much the same thing happened in 1961, when the Philippines passed another protectionist act, this one "Limiting the Right to Engage in the Rice and Corn Industry to Citizens of the Philippines." Like the retail business law, this one took aim at the Chinese merchant population by decreeing that only Filipinos would be allowed to participate in rice and corn production. This was a big decision, because at the time rice was both the chief staple of Filipinos' diet and a significant commercial export. In 1960 there had been 6,100 foreigners registered in the rice and corn business, but by the summer of 1962 the executive director of the Rice and Corn Board, E. V. Mendoza, reported that the program had "worked" in running foreigners out.

"Success," however, was curiously defined. Apart from encouraging fraud—some foreigners simply put their companies in the names of their Philippine wives or friends—it had a disastrous effect on production and prices. Mendoza was correct in noting that by year's end most of the rice and corn business was forced out of foreign hands. But the price paid by the population for that change was a severe rice shortage. The Philippines went from a country that exported rice to one that imported it, a situation that did not change until much later in the decade when scientific advances introduced a new, "miracle" rice capable of tremendous new yields.

The government's continuing support of protectionist policies in the face of such abject failures is the reason why Max Soliven, editor of *The Philippine Star* and the country's most popular columnist, blasts the Filipino First philosophy as "the pirate flag of convenience for vested interests."

"Every big foreign investment project," says Soliven, "is slandered as 'a scam' or labeled 'imperialist exploitation,' and thus those two cabals of conspiracy, the Old Rich and the *nouveau riche*, manage to fight off and repel 'the enemy.'" Filipino First, says Soliven, should really be called "Filipino Last and Always."

The Philippine government's support of protectionist policies in the face of abject failure is why Max Soliven, editor of* The Philippine Star *and the country's most popular columnist, blasts the Filipino First philosophy as "the pirate flag of convenience for vested interests. Every big foreign investment project is slandered as 'a scam' or labeled 'imperialist exploitation,' and thus the Old Rich and the* nouveau riche *fight off and repel 'the enemy.'" Filipino First, he says, should really be called "Filipino Last and Always."

As far back as the early 1960s there were voices raised in warning. In 1962 the president of the Philippine Chamber of Commerce, Alfonso Catalang, went on television to say that Filipino First was shooting the country in the foot. My magazine, the *Far Eastern Economic Review,* warned that "Filipino politicians seem to favor securing foreign loans instead of inviting foreign capital to come in." The direct result of such choices were the bloated Philippine monopolies that still stand before us today, protected from foreign competition and unresponsive to the needs of the country.

Although myriad regulations restrict foreigners doing business in the Philippines—foreign banks, for example, have not been permitted to open new branches since 1948—the most effective way of keeping them out has been a law limiting the amount any foreigner can own in a business to 40 percent. At the start of his reign, President Marcos made some moves to open up the economy, but instead of busting the monopolies he merely put his own buddies in charge of them. Nor did things improve with the People Power revolution of Cory Aquino. By 1991 foreign investment in the Philippines totaled only $783 million—compared to about $5 billion for Thailand and almost $9 billion for Indonesia, which is just about as poor as the Philippines.

In many ways, in fact, Aquino only made the situation worse. The constitution drafted by her associates specifically blocks or severely limits access to vast segments of the economy by outside developers, especially in the area of natural resources. Section 12, for example, requires that the "State shall promote the preferential use of Filipino labor, domestic materials and locally produced goods." In effect, the revised constitution applies the 40-percent limit to all but a few areas. Filipino First is back with a vengeance.

The reason the 40-percent limit is so debilitating is that as long as votes in a company are pegged to the owner's share, no foreign investor will have control over his money. This is particularly distressing in a developing country such as the Philippines, where the economic climate is uncertain and the risks are already high. Foreigners are unlikely to invest millions of dollars if they don't have a say over how the money will be spent.

"If I had to name one thing that has hurt the Philippines more than anything else, it's this 40-percent limit," says Peter Wallace,

an international business consultant and economist who has lived in Manila for many years. "We had a similar problem in Australia years ago—we were resource rich but cash poor. Much of Australia's development came about because it opened the door to those who had the money to develop, especially in the mining industry." In testimony before the Philippine Congress, Wallace pointed out that if the Philippines followed Australia's lead, the country's abundant resources would finally start paying some dividends.

Hong Kong: *It was no more destined to be wealthy than the Philippines was to be poor. In 1993, its per-capita income surpassed that of Great Britain.*

The development of natural resources is hardly the only area of the Philippines' economy affected by the lack of foreign capital. The nation's infrastructure, for example, remains one of the worst in Asia. President Ramos has recently eased the ongoing power shortage that just last summer was responsible for blackouts of 10 to 12 hours a day. But the shortage never would have occurred had the country opened energy development to foreigners. "Making yourself open to foreign investment does much more than bring in money," says Wallace. "It brings in badly needed technology. It grows your exports. It creates jobs, and it generally also develops a host of industries that pop up to serve the new investors."

The Philippines' nationalism has, in fact, managed to strangle every aspect of economic development. Foreign goods remain a luxury that only the protected rich can hope to afford. Recently Philippine Sen. Blas Ople pointed to a study by the government's own assistant secretary for trade documenting that no less than 167 signatures were necessary to release an imported car from the Bureau of Customs. Ople had a field day when the customs commissioner proudly announced he had greatly reduced the number of necessary signatures: to 50.

The regulatory choke hold is also responsible for a phone system so abysmal that it is an international embarrassment. In a November 1992 visit to Manila, Singapore's senior minister, Lee Kuan Yew, publicly spoke out against the Philippine telephone company as "an example of a powerful vested interest...which has had a monopoly for 64 years." He also cited a standing joke that "98 percent of Filipinos are waiting for a phone and the other 2 percent are waiting for a dial tone." In fact, fewer than 2 out of 100 Filipinos have phones in this nation of 61 million people, and the Philippine Long Distance Telephone Company controls more than 90 percent of the existing 600,000 lines. Their monopoly has been helped along by Supreme Court decisions that shut Eastern Telecommunications out of the market and awarded a contract to PLDT even though its foreign-backed competitor had outbid it by a factor of six.

Comparing the Philippines' phone system to Hong Kong's actually provides a thumbnail sketch of how two economic systems produce hugely different results. While the Philippines stagnates with one of the worst phone systems in the world, Hong Kong boasts one of the best: fully digitalized with about 63 phones per 100 population, about double the number of another East Asian powerhouse, South Korea. It is so easy to get a phone in Hong Kong that almost all the colony's shops have a phone sitting out front that customers can use free. And with new developments in related technology (such as cellular phones) now becoming popular, the government reviewed its telecommunications policy and decided to open up additional networks to increase competition.

Beyond all the theoretical and statistical explanations, however, the painful human costs of the different economic strategies pursued by Hong Kong and the Philippines are dramatically illustrated by the booming growth of domestic helpers in Hong Kong. A generation ago, middle and upper-class Filipinos were likely to have poor Chinese as amahs. Today the situation has flip-flopped. Thousands of desperate Philippine women just like Teresa Concepcion—college educated and with children of their own—are forced by circumstances beyond their control to go abroad and work as domestics. The ones who are lucky go to Hong Kong. Many go to the Middle East or other parts of Asia, where the work is even more demanding and the environment even more difficult.

Despite their relative good fortune, their life in Hong Kong is not an easy one. According to a survey by Asian Labor Update Research, some 40 percent of these maids work 14 to 15 hours a day and 30 percent work 16 to 17 hours a day for a standard monthly wage of $415, much of which is sent back home. If they are "lucky," as is Teresa, they have an "amah's room" off the kitchen—a non-air-conditioned eight-foot-by-six-foot cell barely big enough for a twin bed. Less fortunate amahs sleep on a couch or share a room with the younger children of their employers.

Life on the bottom rung of society has its other problems as well. Filipinas often report that the Chinese look down on them and treat them harshly. Indeed, one of the colony's biggest companies, Hong Kong Land, recently tried to bar them from sitting on its grounds on weekends when they congregate with their friends in the center of town.

Occasionally, their work may even prove fatal. One Filipina,

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Pascuela Destas, gave her life for her 5-year-old charge by pushing him out of the way of an out-of-control bus. But saving the life of her employers' son meant that Destas left her own three boys back in the Philippines without a breadwinner.

Although life in Hong Kong may be difficult, the maids agree on one thing: It is better than being in the Philippines. Thirty-eight-year-old Eppie Cruz is typical. Ten years ago she received her B.S. in accounting from the Philippines' University of the East. After her graduation, she came to Hong Kong to work as a domestic to support her sisters back home. "Of course we would like to stay in the Philippines if the opportunity was there," says Eppie. "But the jobs are here."

Eppie is wearing a Giordano blouse, a popular brand in Hong Kong roughly equivalent to the Gap in America. In the Philippines, she says, it would cost three times as much as it does in Hong Kong. The same goes for her Sony Walkman. Back in her tiny room, she has a telephone, an air conditioner, a JVC television, and a host of minor appliances that are standard in Hong Kong but would be regarded as luxuries in the Philippines.

Or consider 49-year-old Cora Alanunay. Cora is the mother of six children—two of whom are with her in Hong Kong, also working as domestics. One son, Ramon, is working in a hospital in Saudi Arabia. She came to Hong Kong shortly after she was widowed and needed work, and like her friends she is impressed by Hong Kong's commercial openness and the opportunity it breeds. Although Cora makes only a minimal wage in Hong Kong, it's far more than what another son makes back in the Philippines as a bank executive.

The incentives are as clear as they are heartbreaking. Today Teresa Concepcion's children are 16, 14, and 12. Since leaving the Philippines nine years ago, she has seen her boys and her husband just once each year for a few weeks' holiday. Yet she has little choice. Her salary of $520 per month is 13 times what she could hope to make in the Philippines, and each month she mails half of it back home. Like other Filipina exiles in Hong Kong, Teresa stoically accepts the trade-offs: "I constantly remind myself how important it is to send back the money to them. Otherwise I would get depressed thinking about the kind of work I'm forced to do."

These amahs are not alone. Ever since the Philippines started its Overseas Employment Program in the mid-1970s, hundreds of thousands of Filipinos who would otherwise have stayed at home have gone into exile to provide for their families. They have also provided for their country. Last year, the 4.5 million Filipinos working abroad helped bail out their country's cash shortages by sending home an estimated $2.5 billion in foreign exchange—more than the revenue from a number of important Philippine industries, including tourism.

Filipinas report that the Chinese look down on them and treat them harshly. One of the colony's biggest companies, Hong Kong Land, tried to bar them from sitting on its grounds on weekends when they congregate in the center of town. Their work may even prove fatal. One Filipina, Pascuela Destas, gave her life for her 5-year-old charge by pushing him out of the way of an out-of-control bus. But saving the life of her employers' son meant that Destas left her own three boys back in the Philippines without a breadwinner.

Having inherited an economy that so demeans productive workers, President Ramos has moved to open up the banking system and, most recently, has vowed to fulfill promises to sell off state enterprises. But the problems remain formidable—particularly the protectionist constitution that walls off investment in any number of areas and a Filipino First legacy that endures. Perversely enough, at a time when the Philippines ought to be out begging for multinational investment, a major argument in the national legislature against the privatization of firms such as Petron Oil is that they may be bought by foreigners.

Ramos, too, for all his stated intentions to the contrary, is not above playing the old games. Back in 1975, Imelda Marcos erected pretty white fences so that the delegates to the annual IMF/World Bank meeting would not have to be offended by the sight of the very poor they were supposed to serve. Last year on May Day, President Ramos announced plans to close the Smoky Mountain garbage dump—long a favorite of foreign reporters looking for a symbol of the Philippines' crushing poverty. The thousands of scavengers who eke out an average $3.00 per day picking through Smoky Mountain's waste for anything they can sell, use, or eat are upset that the government is once again taking away what little livelihood they have. The Philippine poor will be forced to move out of sight, if not out of poverty.

And in Hong Kong, Filipina mothers and daughters continue to pay a devastating social and economic price for the protectionist schemes of their government. Most of these women started out with big dreams; Teresa Concepcion thought that with her college degree she'd have a fulfilling career in the Philippines, not a job scrubbing floors in Hong Kong. Today she just wants to go home. "I'd like to return to the Philippines in two or three years," she says, "maybe to farm with my husband." Even if she is lucky enough to do so, it will mean her children will have grown up without her. What kind of protection is that? ®

William McGurn is a senior editor at the Far Eastern Economic Review.

P.S., INC.

Will private management teach the public schools a new attitude toward education?

By John O'Leary and Janet R. Beales

When the bell rings at Baltimore's Harlem Park Community School, children swarm the hallways. Their voices rise and fall in a cacophonous chatter, echoing down the hall. To the casual observer, it appears no different from any other inner-city school. But Harlem Park is a public school run by a private company, and the changes taking place inside are reverberating down the corridors of American public education.

Harlem Park is one of nine public schools in Baltimore operated by Education Alternatives Inc. In Minneapolis, the new superintendent is a consulting firm. In Massachusetts, the public-school system has brought on 13 private organizations, including the Whittle Corporation's Edison Project, to design and run 15 new schools. Across the country, officials are asking private companies to manage public schools and teach everything from remedial math to Japanese.

It's like the Post Office hiring Federal Express to carry the mail: It's not supposed to happen. A public monopoly is supposed to protect its territory, not contract it out. But under withering criticism and the threat of competition, public schools have finally stumbled onto something that works: capitalism. Contracting for school management, once unthinkable, is now a mainstream idea.

President Clinton, in his 1994 State of the Union address, promised to "empower individual school districts to experiment with ideas like chartering their schools to be run by private corporations." A few days later, Assistant Secretary of Education Thomas Payzant told Congress, "If communities want to hire companies to come in and help their schools, they ought to be able to do so." Such statements are remarkable, since the teachers' unions, one of Clinton's most important sources of support, are vehemently opposed to school contracting.

Inner-city schools are leading the movement toward contracting. In 1987, Kurt Schmoke became Baltimore's first elected black mayor, pledging to improve that city's troubled school system. Frustrated with the public-school bureaucracy, in 1992 Schmoke prodded the city to sign a five-year contract with Education Alternatives Inc. (EAI) to manage one middle and eight elementary schools. The school district can cancel the contract at any time if EAI fails to meet its expectations.

Armed with the experience of running a single public school

in Dade County and an innovative curriculum known as Tesseract, Minneapolis-based EAI took on the task of turning around some of the most troubled schools in the city. To accomplish its mission, it had the same per-pupil funding as the average Baltimore city school—about $5,900 a year, a modest sum for urban public schools though slightly higher than what other Baltimore elementary schools receive.

"We wanted to compare their approach with some of the other approaches that we have in our school system," says Schmoke. "They really made us an offer we couldn't refuse. For the same amount of money that we are currently spending per pupil, they would increase academic performance, improve the support side of schools, and make a profit for the firm."

Across the street from the Harlem Park Community School, about one in four row houses is boarded up, their bleak stoops serving as benches for the area's homeless. Unemployment in the neighborhood tops 30 percent. At 10 a.m. the streets are eerily quiet, since the largest local industry—the drug trade—doesn't really pick up until late afternoon.

But inside the Harlem Park Community School, as at all Tesseract schools, "morning meeting" begins at 8:30 a.m. sharp. Lasting about 20 minutes, it serves as a wake-up call, a pep rally, and a social ritual that parents are invited to attend. A typical meeting includes a group song, school announcements, and an upbeat message from the principal stressing the theme that "every child can learn." Morning meeting strives to build a sense of identity and community, uniting students and teachers of various grades and instilling a sense of common purpose.

A more tangible difference can be seen in the classrooms. EAI has put four computers in every classroom (first grade and up), in addition to a new computer lab with more than 35 machines for each school. The computers are not toys or outdated hand-me-downs from local businesses. Each one includes a color monitor, mouse, headphones, and CD-ROM. These are networked, integrated, lean, mean, learning machines—a central component of the overall curriculum.

"It has been a tremendous change, and a good change," says Bernadette Key, a teacher at Rodham Elementary, one of the EAI schools. "I have been in the system for 20 years, and I have never seen it work like this." Key is monitoring a class of 8-year-olds as they tap away on their keyboards, working on individually paced reading and math programs. Assisted by an intern, she manages one of the school's two computer labs. She occasionally interrupts the interview to assist one of the 30 second-graders with math or reading questions.

Key regularly reviews printouts of each child's progress. "See this young man right here?" she says, proudly pointing to an 8-year-old sporting a gold stud earring. "He started the year at 1.7 [computer-scale grade level] in September. He is now at 2.9, on into 3.0." Because the instruction is individualized, students progress at their own pace, some working above grade level, some below.

Key has seen programs come and go, but she believes in this one. She praises EAI for bringing in not only the new computers but other amenities such as a rocking chair, new carpeting, and beanbag chairs. "Before, we had to wait a long time to get books," she says. "We had to wait to get materials. We had to wait, wait, wait. I'm happy to come to work now. I don't know how to put it—just say 19 years versus one."

Speed is one of the biggest advantages of private management. EAI signed its management contract in August 1992 and by November had already selected the computer system's software and hardware and found a vendor. Machines were installed over the winter holidays, and the schools held a technology open house in February. By comparison, a Baltimore public school that decided to purchase computers that same August still had not logged on a year and a half later.

Speed is, in fact, one of the biggest advantages of private management. EAI signed its management contract in August 1992 and by November had already selected the computer system's software and hardware, and found a vendor. Machines were installed over the winter holidays, and the schools held a technology open house in February. By comparison, a Baltimore public school that decided to purchase computers that same August still had not logged on a year and a half later.

Similarly, EAI gives principals the authority to go directly to vendors for purchases, and the turnaround time for approving large expenditures is usually 24 hours. In the other public schools, any purchase over $500 has to be approved by the Board of Estimates, a city agency that replies in about 40 days.

"We've freed them from the control of the central bureaucracy and given them more flexibility in their procurement procedures," says Mayor Schmoke. "They have introduced business principles to the school site."

In some cases, EAI has applied those principles by hiring subcontractors to take on specialized tasks. To improve cleanliness and hold down costs, for instance, the company hired Johnson Controls World Services to handle janitorial services. Specialization—a business principle notably lacking in

typical public-school systems, which run not only classrooms and curriculum but cafeterias, bus systems, and cleanup crews—has transformed the schools' appearance.

"The floors smile at us now," says one staffer. Even the program's harshest critics admit that the schools are cleaner under private management. In many public schools, political resistance to contracting creates an in-house janitorial bureaucracy immune to market forces. In New York City, public-school janitors earn an average of $60,000 a year. In many Baltimore public schools, when a water fountain breaks a requisition for repairs is sent to a central bureaucracy, where it goes to the bottom of a pile and sometimes sits for weeks. In EAI schools, if a water fountain breaks, it gets fixed within a few days.

The entire approach to building maintenance has changed under private management. Discovering it had inherited an inefficient lighting system, EAI invested about $330,000 to upgrade the lights in all of its schools. The change will save $150,000 a year in electric bills, paying for the upgrade in less than three years. Such common-sense investments are often overlooked in the public sector, where managers have little incentive to find savings because rewards—both individual and organizational—are not linked to productivity. Perhaps more important, public schools lack the financial flexibility to make such front-end investments. Because they "can't afford" to spend $330,000 this year, schools end up paying an extra $150,000 every year.

Since more than 40 percent of all K-12 spending goes to noninstructional support activities, increasing efficiency in these areas can have significant educational impact. So while much of EAI's spending is dictated by existing teacher contracts, sources of savings still abound. By cutting costs in the cafeteria, EAI can put computers in the classroom, shifting resources to where they can do the most good.

Tesseract schools—unlike the magical story from which the curriculum name is derived—are not the stuff of fairy tales, of course. The problems of the community do not disappear at the schoolhouse door. The cafeteria at lunch makes feeding time at the zoo look serene (one parent volunteer suggested using the National Guard). Verbal abuse of teachers, especially at the middle school, is not uncommon. And in the halls, don't be surprised to hear one student tell another to attempt an anatomically challenging act.

More importantly, no one really knows how much the children are learning. Meaningful test scores will not be available until the 1994–95 school year, when an independent consultant will evaluate EAI's performance. And while the Tesseract tour is impressive, it is a *guided* tour, and EAI has an obvious interest in maintaining a good image.

Still, parents are hard to fool, and they seem pleased. The parents decorating a hallway at Rodham Elementary are effusive in their praise. "The change has been substantial," Joanne Floid, whose two children attend the school, says amid a chorus of agreement. "The computers, the neatness, the children's attitude about school. My 7-year-old is reading now. He wasn't reading on his level, [and now] we're going past his level."

JOHN O'LEARY

Learning Lab: Children in Rodham Elementary's computer lab work on individually paced reading and math programs. EAI put four fully equipped computers in each classroom and two computer labs in the school.

Principal Flora Johnston says parental involvement is a conscious goal of the Tesseract schools. "Parents have an opportunity to meet with the teachers and set goals for their children," she says. "Always before we as educators were telling the parents what we were going to do. Now the parents can say 'I like this, and I will help do this.' They have some ownership."

EAI's president, John T. Golle, sees the Baltimore arrangement as a model for turning around public education. EAI has attracted interest from other districts. Last December, Washington, D.C., Superintendent Franklin Smith announced his intention to place up to 15 schools under private management, a move that sparked strong opposition, prompting him to delay implementation until 1995. "We have to make radical changes in the way we do business in D.C. public schools," Franklin says. In January the Pinckney, Michigan, school board signed a letter of intent to hire EAI.

In Minneapolis, the school board has selected the Public Strategies Group (PSG), a St. Paul consulting firm, as the new superintendent of schools, overseeing 77 schools and a $250-million budget. "The board will be paying for results, not for someone to keep a chair warm," says PSG President Peter Hutchinson. Unlike the typical employment contract, the contract with PSG calls for specific, measurable outcomes, with compensation tied to performance. The contract could earn PSG more than $200,000 if goals pertaining to student achievement, school safety, and attendance are met. "If we don't produce results, we don't get paid," says Hutchinson.

If test scores in Baltimore and Minneapolis show gains in student achievement, look for the private-management model to be replicated in cities across the country. EAI's initial success has already spawned a number of hopeful competitors, all seeking a share of the nation's $250-billion public-education market. This competition is important if contracting for school management is to have any long-term beneficial effect.

Not everyone likes the idea of competition, however. "As a

labor organization, we have a natural animosity to privatization," says Linda Prudente, a spokesperson for the Baltimore Teachers Union (BTU). "This is a private company siphoning off public funds into profits. We're against that."

Profit seems to be a dirty word in the public-school world; critics of firms such as EAI call them "eduprofiteers." But teachers, of course, are also paid with tax dollars, as are the companies that sell schools everything from chalk to toilet paper. Whether called profit or salary, tax money winds up in the pockets of individuals. In a competitive market, companies and individuals earn money by serving the customer better than their competitors. In a public monopoly, employees (and their unions) can earn money simply by showing up. When teaching excellence occurs, it is the result of personal initiative rather than systemic rewards. Without competition, employees (and their unions) have little incentive to excel, and their pay often rewards seniority rather than achievement.

That's an arrangement that the unions are eager to keep. Companies like EAI "just want to come in here and make money off this system," says Loretta Johnson, president of the paraprofessional (teaching assistants) chapter of the BTU. Johnson's chapter lost 90 members when EAI substituted lower-paid education interns (all of whom have four-year degrees) for unionized paraprofessionals. In December 1993, the BTU filed suit against the city of Baltimore and the Tesseract program, arguing that it was illegal for the city to contract out the management of public schools. Even though no teachers were laid off and those affected were given the option of transferring to other city schools, the BTU has switched from grudging partner to staunch opponent of the EAI contract.

Mayor Schmoke intends to fight the suit. "In terms of the union itself, it is very difficult to understand, other than protecting the paraprofessionals, why they would file suit," he says. "The program actually treats teachers far more professionally than before, and the teachers who have volunteered to be in those schools seem to like the program."

Indeed, teachers such as Bernadette Key are pleased with the changes, both for themselves and the children. "When we first started in August, union members were out protesting," says Johnston, the principal at Rodham Elementary. "But of my 30 teachers, only four stayed out. Remember, they were given the opportunity to leave if they wanted to, and they chose to stay."

Robin Gross is director of the Maryland-based Science Encounters, a private firm specializing in hands-on science instruction for elementary-school children. She started her business, which now employs 30 part-time teachers because, she says, "I didn't want to do yard duty. I didn't want to attend teacher conferences. I just wanted to teach science." Gross sets her own schedule, negotiates her own contracts, and focuses on what she enjoys most: teaching.

As the experience at Rodham Elementary suggests, the unions *do not* represent the wishes of all teachers. In addition to the public-school teachers who prefer private management, a growing number of free-lance teachers recognize that an education market can offer more freedom, greater professionalism, and better compensation for talented instructors.

Robin Gross is director of the Maryland-based Science Encounters, a private firm specializing in hands-on science instruction for elementary-school children. She started her business, which now employs 30 part-time teachers because, she says, "I didn't want to do yard duty. I didn't want to attend teacher conferences. I just wanted to teach science." As an educator in private practice, Gross, a former private-school teacher, sets her own schedule, negotiates her own contracts, and focuses on what she enjoys most: teaching. "I'm not thinking about the furnace or the rest of the school district," she says. "I'm thinking about what the student learns about science."

School administrators are finding that private firms like Gross's can often provide expertise and flexibility they just can't get in house. High Tech High School, a public magnet school in New Jersey, has hired Berlitz International, a company better known for instructing tourists than teenagers, to teach Japanese. Sylvan Learning Systems, a national tutorial company, provides remedial education to public-school students under the federal Chapter 1 program. Other national franchise chains providing services to schools include Huntington Learning Centers and the Japanese-owned Kumon Educational Institute, which markets math and reading programs to American public schools.

A bold experiment in Massachusetts will combine the advantages of private management with the creativity of free-lance educators. In March the state announced that it will allow 13 organizations to design and operate 15 "charter schools," autonomous institutions that report directly to the state and avoid much of the stifling regulation and bureaucracy that constrain other public schools. In addition to the for-profit Edison Project, the brainchild of entrepreneur Chris Whittle, the organizations include Boston University, a public housing association, and various groups of parents and teachers. They will receive the same amount of funding per child as other public schools, but they will be given wide latitude to try out a variety of curriculum

and management approaches. Edison Project President Benno C. Schmidt Jr., former president of Yale University, says the company expects to open its three charter schools in August 1995.

Massachusetts Gov. William Weld, who has made privatization a cornerstone of his administration, wants to bring market forces to bear on education. "The governor is enthusiastic about any ambitious attempt to remake public schools, including the Edison Project," says Steven Wilson, Weld's director of strategic planning.

In contrast to those in some other states, charter schools in Massachusetts can be created from scratch, rather than through the restructuring of existing public schools. This means that management will not be bound by existing collective bargaining agreements, as is the case with EAI's arrangements in both Baltimore and Dade County. A privately run charter school in Massachusetts could mean market wages, pay for performance, and non-unionized teachers.

Not surprisingly, the Massachusetts teachers' union opposes the charter-school experiment. "We have a strong philosophical opposition to the notion of bringing the profit motive into public education," says Robert Murphy, president of the Massachusetts Teachers Association (MTA). Located a short walk from the governor's office, the MTA has historically been a formidable force in Massachusetts politics. Massachusetts, after all, invented public education, and a statue of Horace Mann—"The Father of American Public Education"—graces the lawn of the Capitol Building.

In this case, however, the teachers' union is joined by an unlikely ally: school-choice advocates. Larry Overlan, executive director of the conservative New England Institute for Public Policy, sees vouchers as the only way parents can seek schools that reflect their values. Though he concedes that contracting may result in marginal improvements, Overlan thinks it will eventually become a politically controlled insider's game. "Mostly," he says, "I don't like it because I think it will lessen the demand for vouchers."

Chris Dobrowolski, president of the Massachusetts-based Citizens for Educational Choice, agrees with Overlan's assessment. "If public schools improved because they had to compete for students, that would be great," says Dobrowolski. "But making the public-school monopoly more efficient doesn't improve things for parents who want alternatives. Contracting is a distraction that could delay the only real reform—school choice."

Dobrowolski has a point. Companies doing business with government don't like competition any more than the public-education bureaucracy does. Such companies, once entrenched, soon become defenders of the status quo; in fact, EAI's Golle has already voiced strong opposition to school choice.

And though it uses market forces, school contracting is far from a free market. It is a government monopsony, a market in which there is only one buyer. The innovations contracting brings today may give way to political shenanigans tomorrow. There are no standard procedures for awarding school management contracts, and the situation has the potential for abuse. Albert Shanker, president of the American Federation of Teachers, raises a valid concern when he notes that "schools are political institutions. Mayors, superintendents, and school boards who hire outside companies have a vested interest in getting results that look good....[H]onest, competent, independent evaluation must be part of the game plan."

JOHN O'LEARY

Rodham Elementary classroom: "The change has been substantial," says a parent. "The computers, the neatness, the children's attitude about school. My 7-year-old is reading now. He wasn't reading on his level, [and now] we're going past his level."

But these concerns should not preclude the use of contracting. Experience shows that corruption in contracting for municipal services is rare, partly because kickbacks are illegal (and the press enjoys exposing corrupt politicians) and partly because competing bidders look for such high jinks. You can bet that Al Shanker will be subjecting his private-sector counterparts to intense scrutiny—an added benefit of healthy competition.

Hiring private firms to run public schools doesn't eliminate the problems associated with political control, but it does reduce the red tape of everyday operations. And each new advance of the private sector into public schools—whether sweeping the floors, teaching Japanese, or managing a district—transforms the relationship between the public and private sectors. Private involvement in public education challenges public officials to explore new models for providing education.

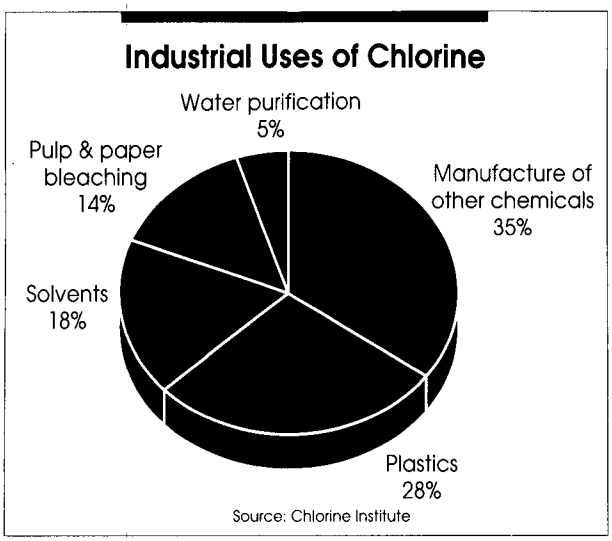
In the end, eroding the anti-market bias of public educators may be the most salutary effect of contracting. Every private company becomes an ambassador of market economics in a realm where such ideas have been unwelcome. Over time, administrators may grow accustomed to the responsiveness of the firms they hire; teachers may treasure their greater autonomy; and parents may grow comfortable with the idea of a private firm running their local school. These changes may well pave the way for further, more sweeping market reforms. A little *perestroika* is a powerful thing. ®

John O'Leary and Janet R. Beales, policy analysts with the Reason Foundation, are co-authors of the study, "Making Schools Work: Contracting Options for Better Management."

Chemical Warfare

By Michael Fumento

The campaign against chlorine is a campaign against modern industrial society.



NEWSFLASH! ATTORNEY General Janet Reno has just announced that, having determined some members of environmental groups are murderers, rapists, thieves, and child pornographers, all environmentalists must be exiled to Antarctica where they can ponder the thinning ozone layer without harming innocent Americans.

Sound bizarre? Sure, but hardly more so than the efforts of many environmentalists to ban all organic chemicals made with chlorine. And what's truly upsetting is that to some extent, at least, they've gotten the Environmental Protection Agency to go along with this idea. As part of the EPA's recommendations for reauthorizing the Clean Water Act, Administrator Carol Browner has announced that she will ask Congress to authorize her agency to develop a strategy to "prohibit, reduce or substitute [for] the use of chlorine" over the next three years.

This does not necessarily mean that Greenpeace and other environmental groups calling for a total ban are going to get their wish, but it will constitute the first time an entire large class of chemicals would be considered for such a ban.

In addition to the uses with which most of us are familiar—chlorinating water to kill germs and chlorine bleach to clean clothes—chlorine is used in the making of a vast number of products such as pipes, bottles, house siding, and packaging. A large percentage of pharmaceuticals are made using chlorine chemistry, and many contain chlorine. Many pesticides contain chlorine, and almost all are manufactured with chlorine chemistry. According to some estimates, chlorine is involved in almost 60 percent of all commercial chemical uses.

The cost of a ban on chlorinated chemicals would be excruciating, as much as $90 billion a year to employ available substitutes, according to one industry-sponsored study. No matter, say the chlorine critics. It is an evil that must be purged, even if the scientific evidence is unconvincing.

Demonstrating their "ban now, ask questions later" policy, a 1993 Greenpeace report attempting to link chlorine and breast cancer declares, "If proof is defined as evidence, beyond any doubt, of a cause-effect link between individual chemicals and the disease, in which all confounding influences have been eliminated, the answer is no," there is no proof of causation. But "it is unethical, irresponsible and unrealistic to require strict proof, because such an approach takes preventative action only after irreversible damage to health and the environment have taken place."

What is this irreversible damage of which they speak? Everything from thinning the ozone layer to thinning eggshells, from causing cancer to bending the gender of fish has been attributed by someone to one organochlorine or another. Do you see any connection between these?

Even non-politicized researchers say that some of the charges against chlorinated chemicals may have some merit, but this has nothing to do with some special property of chlorine. Rather, the class of organochlorines contains a number of possible harmful agents for the same reason that the class of environmentalists contains murderers, rapists, thieves, and pedophiles. Both groups are so large that each must necessarily contain a whole spectrum from very good to very bad.

Yet one prominent spokesman has called for a ban on this wide spectrum of chemicals based on fears associated with just one. "We decided you can't distinguish among different compounds of chlorine as to which is harmful and which is not," says Gordon Durnil, an attorney and U.S. co-chair of the International Joint Commission on the Great Lakes. "We decided we needed to look at chlorine as a class and decided because of the effects of dioxin, that use of chlorine as [an industrial] feedstock should be sunset."

THERE IS NOTHING MAGICAL ABOUT attaching a chlorine atom to a carbon atom, which is all it takes to make a chlorinated chemical. Some chlorine-based compounds like DDT persist in body fat year after year; some do not. Some cause cancer in laboratory animals fed massive doses; others do not. Not only is there no special propensity for cancer causation among chlorines, the addition of chlorine can actually detoxify certain compounds.

It may seem at a glance that many of

the chemicals that have gotten the most attention as hazards contain chlorine, but that is because they have been so carefully scrutinized. If the police looked for child pornography in the homes of environmentalists five times as often as they raided other people's homes, it would hardly be shocking to find environmentalists overrepresented among arrested pedophiles.

For three decades now, environmentalists have pursued chlorines with the fevered obsessiveness of Jim Garrison tracking down JFK conspirators. Yet they have remarkably little to show for it. When they do seem to have found something, such as last-year's highly publicized study linking DDT to breast cancer, the report receives tremendous press and critics of the study's methodology are practically ignored. Dioxin was long touted as "the most deadly chemical created by man," but decades of scrutiny have shown that its only acute human effect is a form of acne. If it is a human carcinogen at all, it is probably only in the sort of massive doses that some chemical workers have received.

Even scientists who have staked their reputations on alleging harm from particular types of chlorine have rejected the vilification of that whole square on the periodic table. Mario Molina, instrumental in the eventual ban of chlorofluorocarbons because of their alleged ozone-eating property, told *Science* magazine that a chlorine-wide ban "isn't taken seriously from a scientific point of view."

Yet some have gone so far as to compare chlorine to *The Invasion of the Body Snatchers*. "You can think of chlorinated biological compounds as aliens," said environmentalist Barry Commoner, "and like aliens from outer space, the reason they cause problems is that they're readily assimilated into the normal chemistry of life. It's just like the movies." Get it? They're bad because they're so abnormal, yet they're so normal.

Not only are Commoner's pod people of the chemical world not alien, they occur commonly in nature. By 1992, 1,500 naturally occurring chlorinated chemicals had been identified, and the list continues to grow. As with synthetic chlorides, some of these will be found to be harmful at levels to which humans are exposed and some will not.

Consider the one with which we are most familiar, sodium chloride. *E*, "The Environmental Magazine," informed its readers during an anti-chlorine tirade that salt is "harmless and essential." Essential it certainly is, yet as Samuel Taylor Coleridge so aptly observed ("Water, water everywhere. Nor any drop to drink"), it can be toxic in naturally occurring levels. Indeed, the salting of food for preservation purposes is generally considered a major cause of stomach cancer. U.S. cases of stomach cancer have dropped dramatically as salt preservation has decreased.

Recent contamination of drinking water is touted as evidence for further regulation under the Clean Water Act, but if that same act eliminates chlorination from water supplies it will likely result in massive sickness and death from cholera and other diseases.

Natural chemicals, however, don't count. The environmentalist dictum is: "Natural good, synthetic bad." This dichotomy is based on nothing more than a blind faith that mother nature would not hurt her children. Tell that to the folks in L.A. right now. Tell it to those poisoned by mushrooms, berries, or puffer fish or given cancer from that most ubiquitous of agents, sunlight. At any rate, while most religious beliefs are not falsifiable, this one is. The limited laboratory studies performed on non-synthetic (natural) chemicals show that they are carcinogenic in lab animals at about the same rate as the synthetic ones. Your immune system is no better equipped to handle a carcinogen from Mother Nature than one from Monsanto or Dow.

THE REAL FOCUS OF THE ANTI-CHLORINE campaign isn't chlorine so much as man-made chemicals in general. Says Chlorine Institute spokesman Joseph Walker, "You wouldn't have modern society as we have it. Chlorine-based products are essential to modern life." That may be just the idea. (As Rainforest Action Network Director Randall Hayes once said in defense of activism over deep ecology, "It's a spiritual act to try to shut down DuPont.") Banning all synthetic chemicals, beginning with the huge number that contain or are synthesized with chlorine, would usher in a non-industrial utopia.

The environmentalists will not succeed in getting all synthetics banned, any more than skinheads will be able to establish a Fourth Reich in Germany. The only issue is how much damage they will wreak in their efforts. Recent contamination of drinking water in Wisconsin and Washington, D.C., is touted as evidence for further regulation under the Clean Water Act, but if that same act eliminates chlorination from water supplies it will almost certainly result in massive sickness and death from cholera and other diseases. There is no other substance of which we are aware that persistently kills organisms in water.

The proper way of discriminating among chemicals isn't between chlorines and non-chlorines, or between naturals and synthetics. Rather, our goal should be to use quality science on a case-by-case basis to restrict and seek alternatives to the usage of any chemical, chlorinated or not, synthetic or not, which causes harm to humans or the environment. This won't accomplish any political, moral, religious, or social goals. But it will make the world a safer and cleaner place. That should be worth something, shouldn't it? R

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Beyond the Family Way

By Nick Gillespie

A salable alternative to kinship-based visa allocation

IF THE UNITED STATES IS NOT going to allow open immigration, "the question becomes, how do you allocate scarce visas?" says University of Maryland professor Julian Simon. The federal government, of course, answered that very question almost 30 years ago.

In 1965, Congress repudiated the 1952 McCarran-Walter Act, which followed 1920s-era legislation in parceling out immigrant visas based on country of origin. Under the banner of "humanitarian values," Congress decided to allocate visas primarily on the grounds of kinship. The most recent piece of major legislation on the issue, the Immigration Act of 1990, reaffirmed the logic of the 1965 bill while consolidating its categories and updating its numbers. If you want to come to America, the quickest, easiest route is still to have a spouse or relative who is already a citizen or a resident alien. Perhaps because it has been reiterated in all post-1965 revisions of immigration law, family reunification is often taken to be a sacrosanct aspect of U.S. immigration policy.

This is one sacred cow, however, that is being led to slaughter by a growing number of disbelievers. More and more immigration analysts believe it is time to reconsider family reunification as the basic mechanism for legal, non-refugee immigration. Family reunification, they argue, is an arbitrary, time-bound artifact whose justification is no longer self-evident.

Three broad positions outline a powerful critique of family reunification. Backers of a skills-based visa allocation program believe that preference should be given to people most likely to fit into the largely post-industrial U.S. work force. Current policy, says University of California at San Diego economist George Borjas, is "insane" precisely because it fails to ensure a high level of work skills in new arrivals.

Supporters of a first-come, first-served application process believe family reunification discriminates against immigrants from countries with few familial and historical connections to the United States. In its place, they suggest that the government process visa applications as they are received. Because family reunification relies on blood ties, argues Peter Salins, a senior fellow at the Manhattan Institute, it fails to "validate the concept of individual ambition" central to American society.

Proponents of visa auctions or entry fees, including Simon, favor a system in which immigrants pay for the right to enter the country. The price of visas would be determined either by competitive bidding or by the value of social services likely to be used by the immigrants. Family reunification is "inappropriate policy," says University of Chicago economist and Nobel laureate Gary Becker, because it obscures the economic incentives for immigrants.

Although the critics of family reunification attack the policy on different grounds, they agree that any new visa-allocation program should continue to allow exemptions for spouses and dependent children. But parents, adult children, and siblings—all of whom currently receive some degree of preferential treatment—would not make the cut.

THE HISTORY OF FAMILY REUNIFICATION supports claims that it is both arbitrary and outmoded. By the early 1960s, few people contested the general legislative and moral failure of McCarran-Walter. The law had to be continually adjusted to account for geopolitical shifts, and its rationale of doling out visas based on country of origin didn't play well in a nation coming to grips with homegrown racial and ethnic prejudice. But before adopting family reunification, Congress discussed various alternative visa-allocation plans, a skills-based program chief among them. Big labor, however, along with immigrant-aid groups and ethnic societies, backed the reunification emphasis, arguing that it would protect American workers and expedite the backlog of reunification cases that had developed under McCarran-Walter.

The 1965 act—passed during an historic lull in immigration—ostensibly set an annual limit of 290,000 immigrants,

MIKE LUCKOVICH

with 120,000 coming from the Western Hemisphere and 170,000 from the rest of the world. The law designated 20 percent of all numerically restricted visas for "skilled" workers and 6 percent for refugees, with the remainder split among various family-oriented preference categories: unmarried adult children of citizens and legal aliens, married adult children, and siblings of citizens. The most important provision of the law, however, exempted spouses, dependent children, and parents of U.S. citizens from any numerical limits. The exemptions, in effect, made the 290,000 figure meaningless.

The major—and unintended—result was a tremendous boom in immigration totals. The reunification mechanism combined with the close-relative exemptions to allow virtually unlimited "chain migration" by which family members could continue to bring in extended relatives. Between 1961 and 1970, 3.3 million immigrants came to America, a figure that rose to 4.5 million for the decade of 1971–80. From 1981 to 1990, the total was 7.3 million. In 1991, a total of about 800,000 non-refugee new arrivals were admitted; 482,214 were close family members (and therefore exempt from numerical limitations), 238,897 were numerically limited family reunifications, and 55,000 came under skills categories.

IMMIGRATION POLICY ALWAYS CARRIES heavy political, economic, and cultural baggage. It entails making value judgments not just about potential migrants but about a native society as well. The United States' formative experience with large-scale immigration and its explicit philosophical dedication to life, liberty, and the pursuit of happiness further muddy the immigration issue. Visa-allocation schemes—of 20th-century origin in the United States to begin with—need to be evaluated in light of both current sociopolitical concerns and the historical significance of immigration to America.

Prior to the 20th century, the United States had essentially open borders—the forced importation of black slaves and the Chinese Exclusion Acts of the 1880s being obvious and disturbing exceptions to the general rule. Although there was always considerable anti-immigrant sentiment, there was also at least a grudging sense that anyone had a right to settle in America.

The relative ease of contemporary migration and the rise of the welfare state in the 20th century greatly complicate the model of largely unfettered immigration. When coming to America meant undertaking an expensive, hazard-filled journey, less ambitious people were automatically filtered out. And for those who made it over but failed or tired of work, the lack of a guaranteed, relatively generous package of welfare benefits made it uncomfortable to remain. Demographers estimate that between one quarter and one third of all pre-1920 immigrants left the country voluntarily.

With the growth of the welfare state, the nativist arguments that slammed the door on immigration in the 1920s and restricted it to favored countries until 1965 have been joined by a new objection to open borders: Free immigration imposes involuntary costs on taxpayers by enlarging the pool of potential welfare recipients. Today, any meaningful attempt at immigration reform will have to balance questions of freedom of movement and contract with the burdens created by the welfare state—to admit as many productive people as possible while screening out those who are likely to become dependent on government largess.

Viewed from this perspective, a skills-based–quota system sensibly seeks to minimize costs by getting the best possible return on any given investment in human capital: Because skilled immigrants are more likely to be employed (and at higher-paying jobs), they are less likely to cost society resources in terms of welfare and other entitlements. "The premier factor [in allocating visas] should be what the economic impact on society is," says skills-based quota proponent Barry R. Chiswick of the University of Illinois at Chicago. (Chiswick also supports a visa auction because he believes it will raise the productivity level of immigrants.) In such a system, several criteria—especially education level, English proficiency, and past job experience—would be used to rank visa applicants, with the high scorers receiving visas.

IN HIS 1990 BOOK, *FRIENDS OR STRANGERS* and a series of more recent papers and articles, UCSD economist Borjas documents that recent immigrants as a group are less skilled than past immigrants, relative to the native population. They are also more likely to be on some form of public assistance than their pre-1970 predecessors. In the December 13, 1993, issue of *National Review*, Borjas notes that in 1970 immigrants were slightly less likely than natives to receive cash benefits. Twenty years later, the situation had changed "drastically: About 9 percent of immigrant households received public assistance, as opposed to about 7 percent of native households." (Even this comparison, however, points up the fact that 91 percent of immigrants do *not* receive public assistance—contrary to the increasingly common portrayal of immigrants as welfare dependents mooching off the taxpayers.)

Boosting the skill level of new entrants could, Borjas argues, save the country from importing a persistent immigrant underclass. He also claims that the benefits from a hard-working, low-skilled immigrant work force are overrated.

Skills-based systems are already in place in Canada and Australia, countries whose economies roughly parallel that of the United States. Although the results offer some support for the skills-based argument, they are far from compelling. As Borjas himself acknowledges in *Friends or Strangers*, "because the point system cannot screen visa applicants along every dimension of the skills embodied in individuals, Canada could not stop the deterioration in the skill composition of its immigrant flow."

What the point system might do, Borjas says, is *slow* the decline of skills among immigrants. Although the theory underlying a skills-based system is clear-cut, its worldly application is a messy af-

fair. Ultimately, its success would depend on the government's ability to pick winners and losers among visa applicants—a task made even more difficult by widely fluctuating international educational and workplace standards: Does a high-school diploma, for instance, mean the same thing in Tokyo, Mexico City, and Port-au-Prince? It is also far from certain that measurable credentials are more important than intangibles such as drive, creativity, and the willingness to work hard. Such a program would fail, just as government attempts to pick winners and losers in industry fail.

THROUGH A DETAILED VISA-APPLICATION process, the first-come, first-served system would attempt to access precisely those intangibles ignored by a skills-based quota system. Prospective immigrants would fill out extensive visa applications and, assuming a clean bill of health and no past criminal record, they would be processed in the order in which their forms were received. The Manhattan Institute's Salins believes that the application process would both be fairer and select better-motivated immigrants. But it seems highly unlikely that even an involved application process would act as much of a filter. The skills involved in filling out a questionnaire are only loosely related to those that might predict success in the United States.

What is more interesting about Salins's approach is his enthusiastic vision of immigration as central to American culture. "America really sees itself as an equal-opportunity system," he says. "Any hard-working individual can come here and succeed. Immigrants validate this belief constantly. If people start to doubt this is an open society, then it will go downhill fast." Writing in the December 27, 1993, issue of *The New Republic*, Salins notes as well "that immigrants have reclaimed inner-city neighborhoods that had fallen into a state of advanced decay." For Salins, the immigrant is the exemplar of the American dream.

Salins's defense of immigration actually accords well with a visa auction or fee system. A visa auction would screen out unmotivated immigrants while not excluding individuals due to a lack of educational or professional opportunity in their native countries. "You would tend to get younger, skilled people, and you wouldn't have to resolve the issue of welfare payments because it would be taken into account in how much people were willing to bid to come," says Becker.

The money collected could be allocated mostly to state and local governments, solving a persistent funding problem associated with new arrivals: Although state and local governments pay most of the costs associated with new immigrants, the federal government receives the bulk of their tax money. A portion of the visa revenue could also be used to monitor border crossings.

By forcing prospective immigrants to save money, pool resources, or contact immigrant-aid groups, the auction system would encourage the type of planning and dedication that serves immigrants well as they adjust to new surroundings.

By forcing prospective immigrants to save money, pool resources with family members, arrange a job with a U.S. employer, or be in contact with the immigrant-aid organizations that would no doubt spring up to help pay for visas, the auction system would encourage the type of planning and dedication that would serve immigrants well while they adjust to new surroundings. Various payment methods—such as installment plans and having employers or other third parties pick up some or all of the visa costs—would ensure that immigration would remain open to poor but ambitious people.

Although it might seem repugnant at first blush to charge an entry fee, as Becker pointed out in *The Wall Street Journal* in 1992, immigrants historically have "paid dearly for the right to enter." In the early 19th century, for instance, a trans-Atlantic crossing was the equivalent of a year's earnings in the United States. And immigrants today continue to pay through the long queues and bureaucratic procedures that often delay entry for years. The sale of entry permits amounts to a change in the form of cost.

Perhaps even more important, if immigrants are explicitly paying their way into the country, then anti-immigrant sentiments based on the questionable notion that immigrants are getting something for nothing in the United States would be effectively neutralized. The auction system would be a standing argument for liberalizing immigration, which in turn would help energize U.S. society.

"Migrants carry valuable ideas with them and create new ideas as a result of having lived in two cultures," Simon has written. They also, he notes, contribute as workers, consumers, entrepreneurs, and taxpayers. Simon suggests increasing the number of visas rapidly and monitoring the results. "Kick immigration up a million a year for three years and then see what happens," he says.

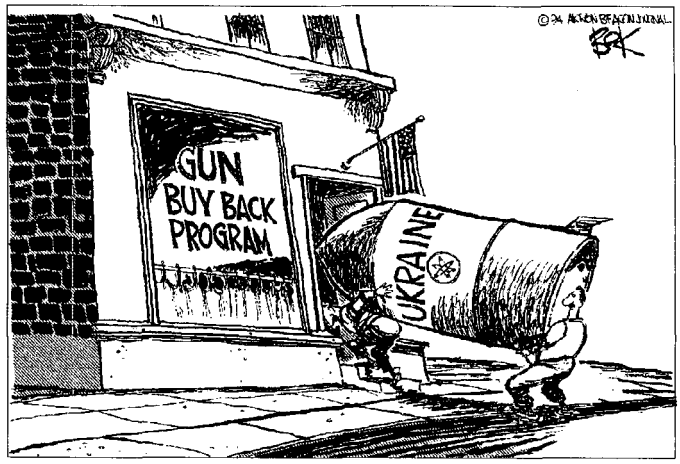
While the auctioning of visas would represent a significant departure from recent immigration policy, the conditions for its acceptance are perhaps as good as they ever will be. "If we continue to have problems with our immigration policy and people start to search for a more radical solution, the auction system will be available as an option," says Becker. Ironically, the growing discontent with immigration—60 percent of respondents in a 1993 *Newsweek* poll agreed that current immigration is a "bad thing"—could provide the basis for a structural change in policy that might increase immigration. R

Nick Gillespie is assistant editor of REASON.

Dr. Strangelaunch

By Michael R. Boldrick

Russia's murky nuclear-weapon fail-safe procedures are cause for concern.



STALLED IN TRAFFIC ON San Francisco's teeming Bayshore Freeway, I couldn't help but notice the faded, decade-old bumper sticker on the car ahead of me: "Nuke the Whales!" Prophetic, I thought, now that the United States is aiming its nuclear-tipped missiles away from Russia and pointing them at the world's oceans. The Russians have given their word that they're doing the same, all in the name of reduced tensions and a new world order.

Unfortunately, you can't tell by looking whether a missile is aimed at a city or a sea-going mammal. There's also no way of verifying the Russians' longstanding claim that their nuclear-weapon firing procedures are just like ours. These two facts—troubling in the most restive of times—are extremely disturbing given recent developments indicating that the Russians are simultaneously bulking up on nuclear weapons and prevaricating about their nuclear fail-safe programs.

A number of recent statements and ongoing activities suggest reasons for concern:

• Last November, Russian Defense Minister Pavel S. Grachev rescinded Mikhail S. Gorbachev's pledge never to be the first to use nuclear weapons. Grachev's announcement came, interestingly enough, right on the heels of the Clinton administration's own "no first use" vow.

• In August 1992, Russia passed a law keeping foreigners out of areas where weapons of mass destruction are developed. And the 100,000 Russian nuclear-weapons experts living in the 10 closed cities where the weapons are built have been barred from traveling abroad.

• Despite a severe economic crisis, Russia continues to modernize its offensive nuclear forces. Road-mobile SS-25 missiles roll off the assembly line in an effort to reach the START II-mandated limit of 1,100 mobile ICBMs. The United States-led coalition forces' quick success in the Gulf War over Iraq's Soviet-supplied air defenses, tanks, and jet fighters did not escape the attention of the Russian high command. While coalition air power knocked out all of Iraq's fixed-base Scud missiles, it failed to destroy a single mobile Scud launcher. The easiest way to offset the West's technological advantage in conventional arms is to maintain a potent nuclear arsenal, with much of it mobile.

• Although the vast Soviet navy remains anchored in the Black Sea, nuclear-firing boomer submarines continue their silent sea patrols. Russian subs that can strike U.S. cities with as little as eight minutes' warning remain on station off both our Atlantic and Pacific coasts. Construction continues on underground command centers in the Ural Mountains containing upgraded communication systems that can transmit a launch order to submerged submarines.

• At a recent talk sponsored by Stanford's Center for International Security and Arms Control, Victor Nefedov, 1970 graduate of Leningrad University and a one-time designer of Soviet missile warheads, extolled the economics of atomic bombs. "Even though the Cold War is over, Russia will continue to defend itself with nuclear weapons," explained Nefedov. "In terms of cost per pound of explosive yield, nuclear weapons are much less expensive than conventional weapons."

Other recent events, such as the ballot-box success of nationalist hard-liner Vladimir Zhirinovsky and the arrest of Kremlin mole Aldrich H. Ames, don't inspire confidence in the stability and credibility of post-Soviet Russia. Neither does the anti-West slant of Moscow's recent return to international politics. First, Russia successfully derailed NATO membership for former captive states in Eastern Europe. Then it suddenly deployed 400 soldiers to Bosnia-Herzegovina, severely limiting NATO's options in silencing Serbian artillery. Should this move toward regaining superpower status continue or should civil war erupt in one of the four nuclear republics—Kazakhstan, Ukraine, Belarus, and Russia—the question of who really controls the former Soviet Union's 27,000 nuclear weapons will be of even greater concern.

WESTERN GOVERNMENTS HAVE VIRTUally no firsthand knowledge of Russian nuclear-weapon launch controls. The only thing they know for sure is that they don't really know that much—a good enough starting point for a philosophical dialogue perhaps, but a frightening prospect for policy makers. What little knowledge has been verified tends to confirm

CHIP BOK

the worst-case scenario of Russia as not fully in control of its own nuclear arsenal.

It turns out, for instance, that the positive control procedures of the United States and Russia aren't as similar as once thought. While the United States has made accidental nuclear strikes more and more difficult by complicating the launch sequence, Russia has delegated that authority among various competing political forces and invested its safety in a beyond-the-grave automatic firing mechanism.

The hotline connecting Washington and Moscow, established in 1963, was judged a giant step on the road to nuclear sanity because, it was then believed, only the presidents of the two superpowers could authorize a nuclear attack. That comforting myth was shattered in 1991, when, during an attempted coup, insurgents seized a briefcase containing nuclear launch codes at Mikhail Gorbachev's Crimean dacha.

Not to worry, we were told. A *second* set of codes is required to launch Russian rockets, and it belongs to the minister of defense. But if that report is correct, the consequences are even more alarming. The existence of a second set of release codes may well indicate that either the military *or* political leadership has authority to commit nuclear weapons.

Later, when Western leaders wondered aloud about who controlled the weapons deployed in potentially rebellious nuclear republics, yet another version of positive control procedures surfaced. Aides to Boris Yeltsin revealed the existence of multiple keys requiring both the central government and the leadership of the four nuclear republics to collaborate on a launch decision. This committee approach pushes the outer limits of credibility. Reaction time is the key to survival in the launch-or-lose reality of a nuclear exchange. Since a missile can fly halfway around the world in 30 minutes, there simply isn't time for conference calls and political deliberations when a country's very existence is at stake. There's no way a nuclear power can rely on a committee approach to nuclear launches.

The most recent revelation, and the most troubling, is acknowledgment of a doomsday machine capable of automatically launching nuclear missiles if a preemptive attack by the United States incapacitates the Russian high command. This "dead man's throttle" shocked Western leaders and brought back memories of the novel *Fail Safe*, in which Strategic Air Command bombers were unleashed on Moscow because of a computer glitch. The U.S. Congress has always insisted on a man-in-the-loop policy for commitment of both tactical and strategic nuclear weapons. Devolution of command from humans to mechanical devices, as in the case of Russia's doomsday machine, is the stuff of science fiction, not of responsible superpowers. Especially in a country where almost nothing works as it is supposed to, computer-controlled nuclear firing machines are a terrifying concept.

U.S. and Russian control procedures aren't as similar as we thought. We have made accidental strikes increasingly difficult, while Russia has invested its safety in a beyond-the-grave automatic firing mechanism.

We know a lot more about the U.S. system, though parts of it remain shrouded in secrecy. Perhaps the best perspective comes not from politicians or top Pentagon brass but from crew members entrusted with day-to-day operations of nuclear bombers and missiles. Those who serve on the front lines of Armageddon can testify that positive control safeguards have become progressively more stringent for U.S. systems. When I commanded a Minuteman ICBM combat crew in South Dakota from 1966 to 1970, safety resided primarily with the crews themselves rather than mechanical devices. Positive control was no better or no worse than the integrity of the people entrusted with superweapons. Unauthorized launch was a physical possibility, and we knew it.

For example, if two on-alert crews in the same Minuteman squadron of 50 missiles and five manned launch-control centers conspired to launch their missiles, no one could have stopped them. The other crews could counter the launch order of a single renegade crew with an inhibit command, but once *two* launch votes were registered, the missiles would enter terminal countdown and head for their targets.

We idled away the years obediently waiting for an order only the president could send. Here, too, the system was based on trust. We had no way of knowing whether an execution message—a series of scrambled letters and numbers we were trained to decode—actually came from the president. The launch execution message had to contain a "go code" we believed resided as a complete set only in a top-secret cache known as the "football," which the president alone could access.

The go code, like the pirate's map in Robert Louis Stevenson's *Treasure Island*, was split into halves before being distributed to field units. Each control center had either the "A" or the "B" half. Had we received a strike order, each crew would have unlocked a small red safe and broke open a sealed envelope with half the code. If it matched the message, the crew would contact its counterpart who had the other half. If both pieces were valid, it was World War III.

In the late 1970s, technology permitted the incorporation of mechanical safeguards called "permissive action links" that were placed between crew members and nuclear-weapon systems. As it stands now, no missile will respond to a launch command unless a double-digit PAL code is first dialed into a cipher lock and then electronically transmitted to the silo. Of course, the unlock code is top secret and closely held. If the president releases the go code, a subordinate military command

post adds the PAL combination to the message before it is transmitted. While this new safeguard reduces the probability of an unauthorized launch during peacetime, it adds potentially overwhelming constraints to performing a wartime retaliation mission.

THE ADDITIONAL MINUTES SPENT DECODing and transmitting the unlock codes give an attacker a much greater opportunity to destroy U.S. missiles in their silos during a sneak attack. And if a single digit in the PAL cipher is out of order, no crew, even after receiving presidential authorization, can successfully initiate a counterattack. Many crews—all of whom are volunteers who meet demanding physical and psychological standards—think the additional safeguards are unnecessary for two basic reasons.

First, they see the PAL code as an attack on their personal and professional integrity. As much as anyone—in fact, perhaps *more* than anyone—they have an interest in avoiding accidental war. When I commanded my Minuteman crew, for instance, I knew that any action I took to launch missiles would result in an immediate counterattack obliterating the military base where my wife and daughters lived. Stationed 50 feet underground, with my only escape a narrow elevator shaft, I could, at best, expect to be buried alive minutes after any war I started began. From intelligence briefs, I knew full well that more than one Soviet missile had my launch-control center's coordinates programmed into its targeting program.

The second reservation comes from military knowledge. The primary targets in a nuclear World War III are enemy communications systems capable of transmitting execution commands. With no U.S. doomsday machine, if the Russians destroyed the redundant links between National Command Authority and bomber and missile crews, they could pull off a nuclear Pearl Harbor unscathed. Because of this capability, every second is particularly critical in a missile war. The lengthy PAL number sequence adds complexity and time to the retaliation process, handing an aggressor nation an advantage as it seeks out and tries to destroy communication nodes.

Despite all the technological protocols and all the arcane cryptography, the peacetime safety of nuclear weapons depends more on the integrity of the operators and their loyalty to their government than on mechanical devices and secret codes. Any code can be compromised, any mechanical device circumvented. That is precisely why the West watches anxiously as Ukraine and Russia spar over control of nuclear missiles based outside of Russia.

The peacetime safety of nuclear weapons depends on the integrity of the operators and their government allegiance. That's why we watch anxiously as Ukraine and Russia spar over control of missiles.

Will the operators support Moscow or Kiev in a showdown? Imagine a similar situation in the United States: The governor of North Dakota suddenly secedes from the country. He declares control over Minot and Grand Forks Air Force Bases, instantaneously making North Dakota the world's third largest nuclear power. But does he *really* control the 300 ICBMs stationed on North Dakota soil? He can't release the go code because it remains with the U.S. president. Conceivably, scientists at a state university, given enough time, could disable the PAL ciphers. Still, the renegade governor has to earn the launch crews' loyalty before he can truly command the missiles. Could that really happen in our society, where allegiance to the federal government is stronger than allegiance to an individual state? Not likely. In the former Soviet Union? That's anybody's guess.

RUSSIA'S DOOMSDAY MACHINE UNDERscores a major philosophical difference in superpower approaches to nuclear control. After a prolonged break in communications between the rocket forces and Moscow, several designated missiles would launch automatically. Once airborne, they would relay a coded launch order directly to more than 1,500 silos, bypassing the crews and causing a huge nuclear salvo against the United States.

The United States has developed a somewhat similar technique, called the Emergency Rocket Communications System, whose existence was declassified after the Berlin Wall fell. Like the Russian doomsday machine, ERCS uses missiles to relay a launch order during a crisis. There are important differences, however. ERCS is not automatic. If normal command links are severed between National Command Authority and missile crews during a nuclear war, a U.S. flying command post relays the launch order to a Minuteman missile configured with a radio transmitter rather than a warhead.

When launched, the ERCS missile flies an elevated trajectory over the United States, relaying the president's war plan and launch order to *crews* isolated from normal communications channels. The ERCS functions as a reserve communications system and cannot launch a missile. Even in the darkest moments of a nuclear exchange, people—as opposed to machines—retain command over U.S. retaliatory forces.

This is as it should be. Nuclear sanity resides more in the stability of governments and the integrity of operational crews than in mechanical controls. But until Russia and the other nuclear republics demonstrate that they have full control over the world's largest nuclear arsenal, it will be difficult to dissipate fully Cold War tensions. R

Michael R. Boldrick is a retired Air Force colonel who writes on arms-control and strategic-warfare issues.

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aggression, not authority. On closer inspection, it becomes apparent that individuals who dominate others are, in fact, enslaved by insecurity and are slowly and mysteriously hurt by their own actions. Lao Tzu attributed most of the world's ills to the fact that people do not feel powerful and independent."

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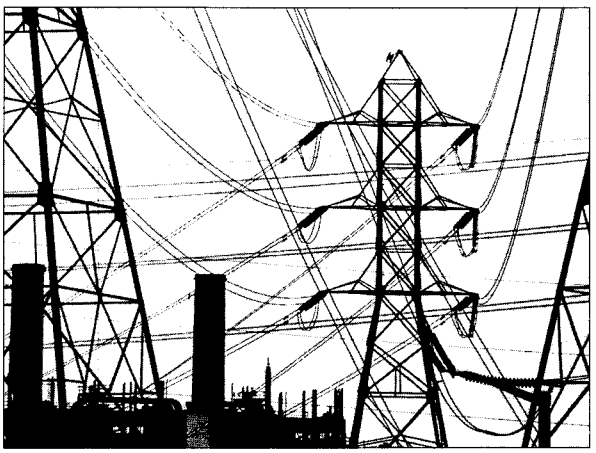
Power Moves

By Matthew C. Hoffman

The electricity superhighway means the end of the local utility company's monopoly.



Power Play: Will environmentalists' determination to use monopolies to subsidize conservation block competition on the electricity superhighway?

AMERICANS HAVE BEEN BARraged in recent months by prophecies of an emerging "information superhighway," a national telecommunications grid that promises everything from instant visual communication to long-distance sex. But there is little awareness yet of the burgeoning *electricity* superhighway, a sprawling network of power lines that links most Americans to hundreds of electricity producers.

Growing demands for consumer access to the electricity superhighway could soon revolutionize the power business, replacing the old system of regulated monopoly utilities with a competitive electricity market. In such a market, customers could shop around for the best deal. A factory in Michigan, for example, could buy power from a plant in South Carolina, which would transmit the electricity over the national network and through the local utility.

But an emerging coalition of electricity utilities and environmentalists opposes deregulation. Both groups are fighting to maintain the old regime—the former to preserve their protection from competition, the latter to maintain energy conservation programs subsidized through the monopoly system. The two forces are fighting a state-by-state battle to block consumer access to the superhighway.

The increasing pressure on the industry to relax or eliminate the monopoly system stems not from new technology but from a growing awareness among industrial power consumers that open competition through transmission networks has long been technologically feasible. Public utilities have maintained small local networks or "power pools" among themselves since the 1920s, and in recent decades they have become increasingly interconnected in a national system. The development of efficient long-distance transmission lines has allowed utilities to link together in a patchwork of local grids, power pools, and pool interconnections. Most utilities in a region are ultimately joined to one another through this superhighway, as are their customers.

Hundreds of utilities and wholesale power producers buy and sell electricity over the superhighway every day, in an increasingly competitive wholesale market. The system can be envisioned as a complex of water pipes, in which pressure must be maintained within a certain range. In a typical transaction, an electricity seller increases its level of power production, raising the "pressure" and causing electricity to flow into the network, while the buyer decreases its power production proportionately, lowering its "pressure" and thereby drawing a roughly equivalent amount out of the system. The process is known as "wholesale wheeling."

The main impetus for the rapid development of this national wholesale power market was a series of federal regulations imposed on the industry during the early 1980s. In an attempt to subsidize "alternative" energy sources, the government required electricity utilities to purchase power from independent producers using solar, wind, and cogeneration sources. This program drew the attention of utilities to the possibility of avoiding risky power-plant projects by purchasing new power from wholesale suppliers. Independent power producers, which exist solely to provide electricity for public utilities, proliferated rapidly over the next decade and now represent more than half of new electricity production in the United States.

Wholesale competition was further encouraged by the Energy Policy Act of 1992, which requires utilities to let other parties wheel electricity over the transmission grids in their service territories. The law also allows utilities to provide electricity to the wholesale market through "exempt wholesale generators," which are free of many federal utility regulations. Today hundreds of independent power producers, exempt wholesale generators, and public utilities can sell electricity to one another over a relatively unobstructed network.

LARGE INDUSTRIAL ELECTRICITY BUYERS have recently begun to demand access to the superhighway. They want what electricity utilities and other power producers already have: the right to purchase power from any producer in the system. "Retail wheeling" would allow electricity consumers to purchase power from the seller of their choice through the local utility. The seller would transmit the electric-

JONATHAN NOUROK

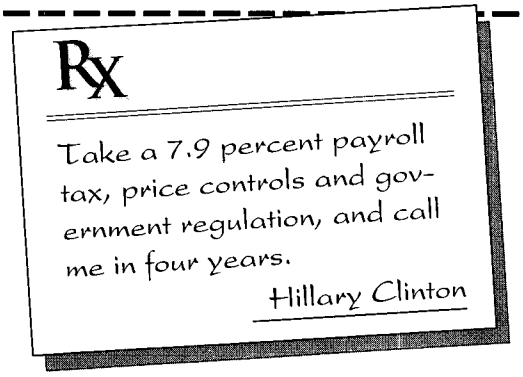
ity to the buyer's local power company, which would reduce its own electricity production proportionately. The retail customer would continue to consume power transmitted by the local utility but would be charged only for electricity consumed in excess of the amount wheeled from the seller, plus a small transmission fee. This would mean the end of the local utility monopoly.

Industrial electricity purchasers, represented by the Electricity Consumers Resource Council, are particularly impatient with the inefficiencies of the current system, which are illustrated by dramatic rate disparities among utilities. Some industrial consumers pay only 4 cents per kilowatt-hour, while others pay up to 12 (the national average is 6 cents). Gerhard Stein of General Motors estimates that his company would save more than $1 billion a year if electricity rates fell by a third. Electricity consumers as a whole would save $59 billion a year, or $614 a household.

Many electricity utilities oppose deregulation for the same reason power consumers support it: The current system allows inefficient power companies to stay in business, despite the availability of cheaper electricity. Many utilities are producing electricity at rates significantly higher than the national average. Some are stuck with inefficient plants and warn that if large electricity consumers are able to bypass local utilities in favor of competitors, residential customers will be forced to pay for those plants through higher rates. But the real threat is that the utilities themselves will sustain the losses, just as many power companies did when they suffered cost overruns in the 1970s.

Although utilities generally oppose opening the superhighway, several have embraced the prospect of competition. Louisville Gas and Electric has appointed ex-phone company executive Roger Hale as its new president in an attempt to gain from the experience of telecommunications deregulation. "I believe there will emerge in the near future a fungible, price-competitive electric highway transportation system that includes point-to-point and network routes," says Hale. He has already split LG&E into two divisions, one for traditional monopoly sales, the other for aggressive buying and selling on the burgeoning electricity market.

ENVIRONMENTALISTS HAVE A DIFFERENT reason for keeping the superhighway off-limits to retail consumers. They want to protect "demand-side management," an increasingly popular scheme that uses the utility monopoly as a tax-and-subsidy system to promote energy conservation. Demand-side management programs seek to improve the energy efficiency of utility customers and thereby reduce their electricity consumption. The programs



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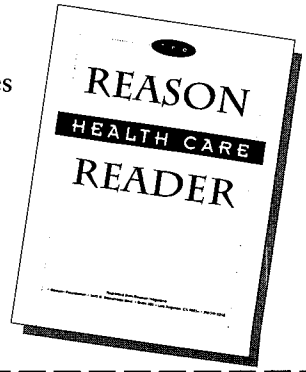

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typically offer subsidies for the purchase of energy-efficient heating, air-conditioning, and ventilation systems, low-energy fluorescent lighting, and additional building insulation. Often the utility will send coupon books to customers, giving them substantial discounts on the devices, financed by the utility. In some programs, the utility actually installs the devices for the customer.

The utility pays for the improvements in energy efficiency by raising its rates, in effect taxing all customers to subsidize energy efficiency for a few. Proponents of demand-side management dismiss this as "neutral transfer" between individuals. Such rate increases don't seem "neutral" to the people who pay them.

Demand-side management surcharges impose a substantial burden on energy-intensive businesses such as steel and paper, for which electricity bills represent up to one-third of operating expenses. In New York state, some companies have paid more than $1 million in demand-side management surcharges in a single year, while receiving almost no energy efficiency subsidies. A Michigan program will cost General Motors more than $10 million over the next decade. Firms that had already invested in energy-efficient equipment are largely ineligible for the subsidies and may be forced to pay for energy efficiency improvements for their competitors. Ultimately, such costs are passed on to consumers.

ADVOCATES OF DEMAND-SIDE MANAGEment argue that their approach is more cost-effective than the traditional practice of simply meeting the electricity demands of customers. But as Larry Ruff, an economist with the consulting firm of Putnam, Hayes, and Bartlett, points out, no utility planner can possibly account for all of the costs involved in improving the energy efficiency of consumers. "The cost-effectiveness of any specific DSM device," he says, "depends on the details of the device, the consumer, the application, the timing, the delivery method, etc., in ways that are not directly observable or controllable by the utility."

The cost-effectiveness of energy-efficiency improvements has been vastly exaggerated by their proponents. In a recent study published in *Science*, MIT economists Paul Joskow and Donald Marron estimate that utilities pay, on average, 500 percent more to reduce their customers' demand than the estimates of energy-conservation advocates would suggest. Furthermore, demand-side management invite free-riders—companies that receive subsidies for improvements they would have made even without the program. Some programs have free-rider rates of 80 percent. Joskow and Marron found that many utilities simply ignore this issue.

Given the inherent problems of demand-side management, a competitive electricity market would spell doom for the concept. Any power producer that attempted to raise its rates to pay for such programs would quickly lose customers. And a recipient of energy-efficiency subsidies would be able to switch suppliers at will, in which case state regulators would not allow the utility to recover the cost of the subsidies through rate increases. Demand-side management and competition simply cannot coexist.

In a March press conference, a coalition of environmental groups, including the Natural Resources Defense Council and the Sierra Club, announced their intent to block consumer access to the electricity superhighway. Parroting a common argument advanced by power companies, they denounced retail-wheeling arrangements as "fictional," because "in actual fact the power from generators attached to a transmission system is totally intermingled throughout the grid."

John Hughes of the Electricity Consumers Resource Council scoffs at such criticism, observing that the same argument could be applied to the existing wholesale electricity market. "The lights are still on," he notes. "Something is happening in those wires."

Furthermore, a fully competitive electricity system already exists for large power purchasers in England and Wales, which began deregulating their system in 1988. Today, any electricity buyer who consumes more than one megawatt of power each year can purchase electricity from any power producer on the England-Wales superhighway.

The process is coordinated through a massive spot market, the "power pool," in which all electricity is bought and sold. The spot price fluctuates on a daily basis, but individual buyers and sellers can set long-term contracts at a specified price. The two parties buy and sell to the pool at the spot price. If the spot price is higher than the contract price, the seller refunds the difference to the buyer; if the spot price is lower, the buyer compensates the seller. The government plans to relax the one-megawatt minimum requirement soon, allowing small electricity buyers to exchange through the pool as well.

UNDAUNTED BY SUCCESSFUL EXamples of wholesale and retail electricity competition, the Natural Resources Defense Council is conducting a state-by-state campaign with local utilities to convince state regulators to prohibit retail wheeling. In 1993 the NRDC declared victory in New Mexico, when a bill to open the state superhighway to retail-wheeling arrangements was shunted off to an interim committee for a two-year study period. But other states, including Nevada and Minnesota, are seriously examining competition as a way to retain large industrial firms that threaten to leave in search of cheaper electricity.

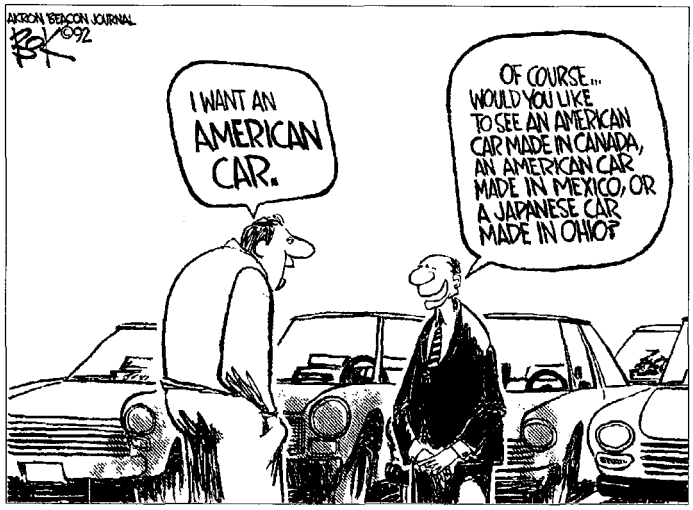
Perhaps the most telling indication of the future of the superhighway can be found in the reports of investment houses, which have millions riding on the outcome of the debate. Merrill Lynch has already conducted an extensive survey of utility operating costs to sort out the utilities that can compete on an open network from those that can't. The survey's cover declares, "Competition Comes!" For consumers languishing in a stagnant and inefficient monopoly system, that will be welcome news. ®

Matthew C. Hoffman is a policy analyst at the Competitive Enterprise Institute in Washington, D.C.

As the One World Turns

By Martin Morse Wooster

The global economy is a lot more complicated than conspiracy theorists predicted.


AKRON BEACON JOURNAL
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I WANT AN AMERICAN CAR.
OF COURSE... WOULD YOU LIKE TO SEE AN AMERICAN CAR MADE IN CANADA, AN AMERICAN CAR MADE IN MEXICO, OR A JAPANESE CAR MADE IN OHIO?

TWENTY-FIVE YEARS AGO the conspiratologists of the right and left had competing theories of what would happen to the world economy. The right-wingers were worried about "one-worlders" who would use the United Nations to chain America in the bonds of world government. It was unclear who these one-worlders were, or what power they had, since it was a first principle of right-wing eschatology that all changes the conspiracy theorists did not like—communist advances in Southeast Asia, the New York Mets' winning the World Series—were the fault of the nefarious "insiders" who wanted America enslaved under a world government that they would secretly control.

The left, for its part, was busily blaming multinational corporations for the plight of the Third World. These multinationalists were the Cheshire cats of commerce, all teeth and no face. They were supposedly gobbling up Third World economies—Botswana for breakfast, Brazil for brunch, Sierra Leone for a snack—at a fearsome pace. These corporations were, in left-wing theology, stoppable only by revolution.

These competing visions have been proven partially true. The world in 1994 *is* closer to being "one world" than in 1969, but this global integration is due to corporations, including multinational ones, not to governments or "insiders." It's hard to imagine any command that the Council on Foreign Relations or the Trilateral Commission might give that would cause thousands of East Germans to smash the Berlin Wall. And while these multinational corporations are powerful, the falling cost of information and computer power has done more to change the world than any activity of a big enterprise.

In the December 13 *Fortune*, Thomas A. Stewart compiles some interesting statistics on how the falling cost of information has affected the world economy. Some examples:

- The number of international telephone calls to and from the United States quadrupled between 1981 and 1991.
- The amount of computer power in the world (measured in millions of instructions per second) tripled between 1988 and 1992.
- U.S. corporate investment in foreign companies increased by 35 percent between 1987 and 1992, to $776 billion.
- Foreign direct investment in American firms more than doubled in the same time period, reaching $692 billion.
- In 1991, for the first time, American firms spent more for communications equipment and computers than they did for such traditional improvements as new machinery and new construction.
- For the last 20 years, the amount of energy needed to produce 1 percent of a nation's gross national product has fallen, on average, by 2 percent a year.

These changes, says Stewart, do not just mean the end of thousands of middle-management jobs; they also mark the end of traditional methods of distribution. General Electric's lighting division, for example, closed 26 of its 34 warehouses since 1987. "In effect," Stewart writes, "those buildings and stockpiles—physical assets—have been replaced by networks and databases—intellectual assets."

In the Winter *Media Studies Journal*, Walter B. Wriston, the former CEO of Citicorp, predicts that this shift to information-based capitalism will mean a gradual end to trade barriers and to war. "The pathways open to the transformation of data and information are now so prolix as to make national borders totally porous," Wriston writes. "Intellectual capital will go where it is wanted and stay where it is well treated. Any teen-age computer nerd knows this."

"The Information Standard," says Wriston, "has replaced the Gold Standard." With information as the standard by which wealth is measured, he argues, there will be less need to conquer territory, since such an act will not give the expanding power any better information than it had before. And if a country attempts a policy of economic autarky, "the giant vote-counting machine that is the global market" will cause that nation's currency to plummet in value, ensuring that "central-bank intervention is doomed to expensive failure as the size and speed of the market overwhelms governments. Governments do not welcome the Information Standard any more than absolute mon-

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archs embraced universal suffrage."

Perhaps Wriston is too optimistic, but it's clear that better communications will do more for Third World countries than simply allow them to see endless episodes of *Laverne and Shirley* and *Dallas*. In the November *Harvard Business Review*, Sam Pitroda describes his efforts to make sure the people of India could gain access to telephones.

After Pitroda immigrated to America from India when he was 21, he became a millionaire by developing over 50 patents for "digital switches"—the devices that enable telephone calls to travel from one phone to another. Having built a company and sold it to Rockwell International, Pitroda vowed to return to his homeland and try to improve India's phone system.

When Pitroda went back to India in 1981, he found that the Indian telephone system was not only state-owned but excessively bureaucratic: One bureaucrat supervising every 10 telephones. After years of cutting through red tape, Pitroda was finally able to install an experimental 100-line exchange in a town of 5,000 that previously had no telephone service.

The result was an economic boom, as truck owners could see where their drivers were and farmers could call other cities and compare prices of products. Six months after the telephone was introduced, bank deposits increased by 80 percent. But daily life also improved, as people could now easily call a doctor, complain to a politician, or buy textbooks for the schools.

Pitroda predicts that installing a telephone in every one of India's 600,000 villages will produce similarly dramatic changes. Not only will modern telecommunications stimulate growth and entrepreneurship, says Pitroda, but better information technologies "can help destroy exploitation in the developing world." Pitroda sees an India with modern telecommunications as a nation that will no longer need to have children working long hours at unskilled jobs. And politicians will be less likely to engage in corruption if someone can easily use a telephone to complain to the local newspaper.

"With telecommunications networks now spreading across the Second and Third Worlds," Pitroda writes, "I believe that no amount of effort can put information back in the hands of the few, to be isolated, concentrated, and controlled."

So if Wriston and Pitroda are right, the world, thanks to the expanding communications network, is becoming more democratic and wealthier. But not all futurologists are as optimistic. Edward Luttwak of the Center for Strategic and International Studies, for example, is wallowing in gloom and despair.

In the January *Across the Board*, Luttwak extrapolates from current trends and predicts that by 2020 America will have become a member of the Third World. Not only have European and Japanese competitors surpassed the American growth rate, Luttwak argues, they will do better than America because of our poor schools and a lack of will to overcome competition.

As America's economy declines, Luttwak predicts, "the politics of racist, xenophobic, or class resentment can more honestly gain votes." U.S. universities will grovel to Japanese and European mandarins for grants. And by 2020, "most Americans will be able to travel to Europe only as casual labor, just as the poor of Latin America and the Caribbean now come to California and Florida as stoop labor for the harvest and in search of menial jobs."

One wonders what, exactly, is so admirable about the advanced welfare states of Europe, given the stagnation, malaise, and high unemployment in these nations. But there is a more fundamental reason to question Luttwak's analysis: Is there any evidence that the *nations* of the world do in fact compete with one another?

In a hard-hitting article in the March *Foreign Affairs*, MIT economist Paul Krugman argues that "competitiveness is a meaningless word when applied to national economies. And the obsession with competitiveness is both wrong and dangerous."

American policy makers, Krugman contends, are obsessed with competitive-

ness for three reasons. First, "competitive images are exciting, and thrills sell tickets." A book promising scary revelations about America's decline sells much better than one that says things aren't bad. And think tanks promising their contributors that they will find the cure for economic malaise get more contributions than ones that tell potential donors that they don't need to fret about foreign rivals.

Second, it's much easier for a government leader to blame foreigners for economic misery rather than suggest that their own policies might have something to do with the problem. Last June, for example, European Union leader Jacques Delors made a speech in Copenhagen in which he blamed the stagnating economies of the E.U. member states not on generous unemployment or hefty welfare benefits but on an alleged deficiency in infrastructure and high technology that could only be remedied with massive government programs. "Delors had to say something at the summit," Krugman writes, "yet to say anything that addressed the real roots of European unemployment would have involved huge political risks." So by blaming the Japanese and the Americans for Europe's plight, Delors could evade the real causes of Europe's economic decline.

Most statistics claiming to measure "competitiveness" do nothing of the sort. A nation can have big trade surpluses and still have a sick economy, as with Mexico in the 1980s.

As Krugman observes, President Clinton's statement that America is "like a big corporation competing in the global marketplace" is misleading, because governments cannot lose an *economic* contest with another government. A corporation that fails to please its customers merges or goes bankrupt, whereas a government that causes an economy to stagnate still collects taxes. Governments can still go to war, but that's an unlikely option between wealthy democracies. And most statistics that claim to measure "competitiveness" do nothing of the sort; a nation can have big trade surpluses, for example, and a sick economy. Mexico artificially created trade surpluses in the 1980s because this was the only way to pay the national debt. But as the Mexican economy revived, foreign investment in Mexico increased—resulting in trade deficits. These deficits, Krugman argues, are evidence not of malaise but of Mexican economic health.

So instead of thinking of the global economy as a battlefield, the world's leaders should practice cooperation. Instead of invoking protectionist schemes, they should cut taxes, budgets, and tariffs to stimulate economic growth. The best way to preserve time-honored national industries is to make sure that people in other nations have enough leisure, education, and disposable income to try something new. The wealthier and more educated you are, after all, the more likely you are to see a subtitled movie, buy a nice wine from a small French or Italian vineyard, or order a made-to-measure suit from a tailor in London or Hong Kong.

The global economy will change dramatically in the next decade, but the available evidence suggests that these changes will make our lives better, not worse. We shouldn't whine about these changes or create scary—and false—conspiracy theories about how America will be crushed by the multinationals, the Japanese, or the "insiders." Embracing the future with the traditional American faith in entrepreneurship, self-reliance, and free trade is a far better way to adapt to the changing world economy than wallowing in fear, protectionism, and gloom. ®

Contributing Editor Martin Morse Wooster is a visiting fellow at the Capital Research Center. His book Angry Classrooms, Vacant Minds: What's Happened to Our High Schools *was recently published by the Pacific Research Institute.*

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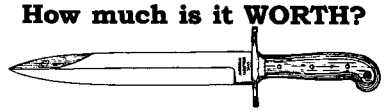

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Capital Calcification

By John McClaughry

Demosclerosis: The Silent Killer of American Government, by Jonathan Rauch, New York: Times Books, 156 pages, $21.00

Jonathan Rauch: He diagnoses "postwar government's progressive loss of the ability to adapt." For the author, demosclerosis may represent the single biggest threat to democratic government.

"GOVERNMENT'S POWER TO solve problems comes from its ability to reassign resources, whether by taxing, spending, regulation or simply passing laws. But that very ability energizes countless investors and entrepreneurs and ordinary Americans to go digging for gold by lobbying government. In time, a whole industry—large, sophisticated, professionalized, and to a considerable extent self serving—emerges and then assumes a life of its own. This industry is a drain on the productive economy, and there appears to be no natural limit to its growth. As it grows, the steady accumulation of subsidies and benefits, each defended in perpetuity by a professional interest group, calcifies government. Government loses its capacity to experiment and so becomes more and more prone to failure. That is demosclerosis: postwar government's progressive loss of the ability to adapt."

Thus does *National Journal* contributing editor Jonathan Rauch introduce the malady which sorely afflicts our national government. And to Rauch, who yearns for a reinvigorated, adaptive, active government, demosclerosis must be fought with every available medication. Unfortunately, as we shall see, the available medications are not very promising.

Making use of Mancur Olson's seminal analysis of the degenerative evolution of societies and governments, Rauch laments "the democratic public's tendency to form ever more groups clamoring for ever more goodies and perks and then defending them to the death. Free and stable societies, it seems, tend to drift toward economic cannibalism and governmental calcification, unless they make a positive effort to fight the current. Demosclerosis may now represent the most serious single challenge to the long term vitality of democratic government."

Rauch chronicles the onset of the disease with many compelling facts. We are in the midst of an accelerating hyperpluralism. More and more narrowly defined special-interest groups are springing up in Washington, complete with a full array of lobbyists, lawyers, influence peddlers, and PACs, to defend and improve upon their government subsidies, tax breaks, trade preferences, and rigged deals. Forty percent of the members of Congress who retired in 1992 promptly signed up to play this pernicious game.

This feeding frenzy has produced a parasite economy focusing not on wealth production for society as a whole but on transfer seeking—using the power of government to reroute wealth from elsewhere to their own constituencies' pockets. This parasite industry is qualitatively different from vendors in the private economy. You can refuse to buy from your auto dealer or stock broker and emerge intact, but the transfer seeker, like the criminal class generally, can manipulate the government to take your money if you don't hire him. And it is now common for a special-interest group to get a far better return on its investment in the parasite economy than in attempting to improve its productivity in the real economy. One of the iron laws of the parasite economy is: No matter who else loses, lawyers and lobbyists win. (See "Suckers!," May.)

Rauch offers numerous case histories of victories of the parasite economy over the disorganized forces of parsimony and limited government. Citrus marketing orders have forced the destruction of billions of pounds of oranges and lemons. Businesses were straitjacketed in their efforts to lay off unneeded workers. The notorious sugar program extracts some $1.4 billion from consumers to benefit a small but highly organized domestic sugar industry. The mere idea of treating non-veterans in V.A. hospitals, after the veterans, produces a fearsomely effective reaction among veterans' organizations. Federal programs, once created, are virtually impossible to eliminate.

ONE WOULD THINK THAT THE MOST CAlamitous result of this demosclerotic condition is the horrendous burden government places on the creative, wealth-producing energies of a free people. Not exactly. The biggest malign consequence, according to Rauch, is that government becomes calcified, unable to take advantage of new opportunities for activism. He is romantic about the innovative spirit of the days of Franklin Roosevelt and Lyndon Johnson, when government was bold, progressive, and visionary. Alas, "the same programs which made government a progressive force from the 1930s through the 1960s also spawned swarms of dependent interest groups, whose col-

RICHARD BLOOM

lective lobbying turned government rigid and brittle in the 1990s."

What would one have expected? The more government becomes the main provider of benefits for interest groups, the more fiercely the hired parasites of those groups must fight to protect those benefits. To avoid the current pathological condition, one should have prescribed that the federal government limit itself strictly to its constitutional duties, instead of throwing a giant buffet for every group which had become politically effective.

That seemingly self-evident conclusion is not, however, attractive to Rauch. Rauch wants to purge government of old, boring, and failed programs to make room for new, exciting, and progressive programs. He laments the power of the parasite industry that quite predictably sprang up to protect what Rauch thinks should be interred.

For example, Rauch weeps over the shrinkage suffered by Bill Clinton's bold "New Covenant" proposal for a national service corps, in which "young people could work for their country to pay back their student loans, learning citizenship and responsibility." A Congress burdened by inherited spending programs and a shortage of revenues was forced to lay out (i.e., borrow) only $1.5 billion for three years of this exciting new venture.

Well, I can remember when we had a somewhat similar program. Young people could borrow money, go to school, get a job, and work for themselves to pay back their student loans. That isn't enough for Rauch, who is excited only by a program where young people "work for their country." Nor does he inquire why it is now necessary to borrow so much money to pay hyperinflated college tuitions, or how the college aid programs have proven to be a massive transfer of wealth from taxpayers to overstaffed and overpaid college faculties, administrators, and assorted supernumeraries, using the student as a convenient political rationalization.

There are, however, some reform successes. Rauch identifies a recent Medicare "reform" as a good example of hemorrhage limitation: "Washington was able to tinker with the program to tame the worst excesses (albeit by shifting many of the costs to the private sector, and so displacing the health cost problem rather than solving it)." The truth is that Washington decided to pay less for services that medical providers were required to provide to the politically potent elderly, thus shifting the cost of service onto the premiums paid by private patients, thus producing a spiraling increase in health-insurance costs, thus creating the health-care crisis that justifies Hillary Clinton's socialization of one-seventh of the national economy. Lord, spare us any more such successes.

RAUCH IS SHARPLY CRITICAL OF THE TWO kinds of political creatures he is aware of, liberals and conservatives. He asks liberals, who rely on governments to solve problems (how far our nomenclature has degenerated!), to understand that there are limits, and that when government becomes calcified, it will fail, and with it liberalism itself will fail. (This is one of the more sanguine observations in the book.) Conservatives, he says, are guilty of talking a government-limiting game while lacking the courage to carry through with it. Rauch ignores the awkward fact that most conservative failures occurred because the liberals had the votes.

Conservatives also come in for sharp criticism for their resistance to raising taxes. Rauch believes that to solve the deficit problem, "taxes must go up, probably a lot." He likes the idea of coupling higher taxes with spending cuts. Now if there is any more fatuous idea in Washington, I don't know what it is. Gerald Ford, Ronald Reagan, and George Bush all made deals with Congress to enact tax increases (now) balanced with spending cuts (later), a proposition that certainly merits Sen. Everett Dirksen's celebrated remark, "Ha ha ha, and I might add, ho ho ho."

So what is Rauch's remedy for this government-threatening affliction? He speaks with mild approbation of procedural change such as lobbying restrictions, campaign finance reforms, and term

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limits, and endorses the benefits of free trade and monopoly breaking. But Rauch's real remedy is "a disciplined regimen of self reform," led by a courageous president "with the backing of the nation as a whole."

Well, it has happened. Jackson killed the Bank of the United States. Van Buren put an end to some egregious bank bailouts. Pierce vetoed a bill for insane asylums, and Cleveland for agricultural subsidies. Calvin Coolidge, rest his soul, said no to practically everything asked of him. Jimmy Carter bagged the Civil Aeronautics Board, and even Ronald Reagan finally laid to rest the Synfuels Corporation and the Clinch River Breeder.

Rauch does not offer radical remedies, because at heart he thrills to the dream of an active, high-tax, innovative government solving problems. As he sees it, the problem is to cure demosclerosis, so that government is no longer thwarted in playing its intended progressive role. It was government playing just that role that got us into this mess.

BUT AFTER READING RAUCH'S FORCEFUL account of the strength of the parasite economy defending demosclerotic government today, one wonders where any modern president can find an effective majority to back his action, let alone "the backing of the nation as a whole." Identifying all the special-interest ripoffs and bagging them all at once sounds like a great idea. The question is whether any president could now browbeat any Congress into doing any of it.

There are some bold steps available to a president determined to lead—and to risk his presidency and the fate of his party. One would be to exercise an enhanced rescission power to perform surgery on spending bills, whether or not Congress agreed to give it to him. Another would be to send Congress a budget resolution that axed virtually every special-interest appropriation, subsidy, and tax preference—and to note that he would prepare a report to the American people providing chapter and verse on which members of Congress restored which schemes in the name of which special interests and would read the appropriate items from that report in a number of states and districts come next election season (a virtual declaration of war against Congress). Yet another would be to propose and campaign for a combined tax and debt limitation constitutional amendment, which would stop the issuance of gross federal debt at, say, $5 trillion and shackle Congress's power to replace debt issuance with higher taxes.

Rauch does not offer these radical remedies, or anything like them, because at heart Rauch thrills to the dream of an active, high-tax, innovative government solving the many problems of the people. As he sees it, the problem is not to cut back on bloated and intrusive government, but to cure demosclerosis, so that government is no longer thwarted in playing its intended progressive role. Unfortunately, it was government playing just that progressive role that got us into this sorry mess.

On the final page of his classic study of interest-group politics, *The Governmental Process*, published in 1960, David Truman wrote, "On examining the country's stormy past one may in bewilderment conclude that 'the Lord takes care of drunkards, little children, and the United States of America.'" After reading Rauch's book, even the most skeptical may feel the urgent need to pray. ®

Contributing Editor John McClaughry is president of the Ethan Allen Institute in Vermont.

Evolution in Action

By Loren E. Lomasky

The Nature of Rationality, by Robert Nozick, Princeton, N.J.: Princeton University Press, 226 pages, $19.95

A WHIMSICAL GENIE PRESENTS YOU the following choice. Two boxes are in front of you. The box on the left contains $1,000. The box on the right holds either $1 million or nothing. You may either take both boxes or just the one on the right.

The genie will try to predict your behavior. If he guesses that you will choose to take both boxes, he will put nothing in the right box. But if he predicts that you will choose only the right box, he will stuff it with $1 million. First the genie predicts, then he puts either nothing or $1 million in the right box, then you pick. One more relevant piece of information: This is not your everyday rub-the-lamp-and-make-a-wish genie. This genie is a specialist. He has played the game many, many times with many other people. On every occasion when a player selected both boxes, the right box had been left empty. On every occasion when the player selected only the right box it has contained $1 million. You therefore believe that the genie is a remarkably gifted predictor and will almost surely know in advance what you have decided to do. The choice is yours: Do you select one box or both?

The riddle, known as "Newcomb's Problem" is not merely some child's brain teaser. Rather, it has been a staple of the philosophical literature since 1969, when it was first put on public display by a bright, brash young man named Robert Nozick, the same Nozick who four years later would win a National Book Award and ratchet libertarianism from curio to academic respectability with *Anarchy, State, and Utopia.*

Newcomb's Problem is redolent with paradox. There seem to be exceedingly strong reasons to choose both boxes, but the reasons for choosing only the right box are also strong. On the one hand, previous experience establishes that one-box selectors invariably end up with much more money than those who choose both. But on the other hand, the genie has already set up the boxes. Nothing you now do can change what has happened in the past. (Don't worry about the genie fiddling with the boxes after you have already made your choice; this is a scrupulously aboveboard genie.) Since you may get more by choosing two boxes and cannot get less, it is irrational to do otherwise than choose both. And yet there is all that past experience...

Reasonable doubt: Robert Nozick's latest book investigates the limits of rationality in political life.

What Newcomb's Problem reveals is a deep-seated tension within our conception of rationality. The well-known Prisoner's Dilemma similarly puts the concept of rationality under pressure. The latter is an interaction among two people such that each independently deciding player does better for himself by not cooperating with the other than by electing to follow a cooperative strategy. Thus, from the perspective of self-interest the rational course is to decline to cooperate. But the outcome when neither chooses the cooperative course is worse for each than if they had both followed the cooperative strategy. That is, rational individuals collectively do worse than nonrational ones. If this is not a paradox, it is at the very least a challenge to the idea that by being more rather than less rational we thereby improve our prospects for doing well.

The Nature of Rationality is a free-wheeling investigation of these and other conundrums surrounding the theory and practice of rationality. For its author it represents a full turning of the circle. Prior even to the publication of the Newcomb's Problem essay, he had written a Princeton University doctoral dissertation titled *The Normative Theory of Individual Choice* (1963, reprinted in 1990 by Garland Press). That dissertation was an ingenious, engaging, sometimes dazzling analysis of conditions of rational belief and action. So too, in no small measure, is this book. There aren't many places where one can find so many ideas cascading through so few pages.

THE STANDARD REVIEWER'S EXHORTATION when confronted with such a bravura performance is "everyone should read this." Almost never is such an exhortation credible. Neither would it be here. In the preface Nozick observes that one unfortunate trend of specialization in intellectual inquiry is that it has become more difficult, sometimes impossible, for the proverbial intelligent layman to be able to read and understand important contemporary results in fields that once were of general humanistic concern. That is true with regard to the study of rationality.

For Socrates and Aristotle the investigation of reason by reason was a necessary activity for the living of a maximally flourishing human life. (Now, I am half-tempted to say, what is required for the good life is examination of REASON by reason.) Contemporary practitioners of rational decision theory rigorously deduce theorems from an axiomatic base. Their pieces should carry a surgeon general's warning: "Can be lethal to those with math anxiety. Stay away!" Topics that everyone should understand have become

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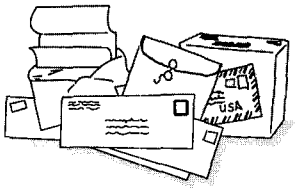

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off-limits to those who don't possess the technical essentials. Alas, such is the case with extended sections of this book. Even many professional philosophers will find them heavy going. Still, it may be of general interest to take a brief overview of Nozick's project.

The Nature of Rationality is primarily an exercise in synthesis. Its pervasive theme is the unsatisfactoriness of monolithic accounts of rationality. Some examples: Nozick combines a Kantian defense of acting on principle with an evolutionary account in which reason emerges in human beings through the same process that gives us the opposable thumb: We judge and deliberate the way we do because those modes of thought and decision tend to pay off in the genetic lottery, not because we have been designed to discern the good and the true. Nonetheless, we do aim for truth and goodness, and Nozick offers an engaging account of why that is so. He also argues that standard decision theory's endorsement of defection as the rational strategy in a Prisoner's Dilemma and the altruist's counsel of cooperation are both mistaken. Rather, sometimes one has reason to snatch the bigger outcome, but sometimes it is rational to accept less though more is available.

And his response to Newcomb's Problem is strikingly eclectic. Precisely because it is such a vexing riddle, Nozick denies that we can have 100-percent confidence in either of the proffered solutions. So we adopt from evidential decision theory a little of the single-box prescription, but also a dollop from causal decision theory's endorsement of the two-box solution.

BOTH NEWCOMB'S PROBLEM AND THE Prisoner's Dilemma concern rationality of action. But we invoke reasons not only for acting in the way we do but also for believing this rather than that. Nozick's synthesis at its widest brings together the practical and the theoretical. The first principle of rational acceptance is theoretical: Do not believe any statement less credible than some incompatible alternative. The second principle, though, is practical: Believe a statement only if the expected utility of doing so is greater than that of not believing it.

This formulation conceals one further twist in Nozick's argument. When theorists speak of utility they essentially mean the output of a thoroughly instrumental reason. Nozick, however, insists on bringing into the reckoning the *symbolic component* of belief and action. We act and believe as we do not only to bring about results but to express our commitments to certain ideals and ways of being: loyalty to friends, respect for the truth even if it hurts, and so on. Accounts that omit these may pride themselves on being hardheaded, but what they really exhibit is tunnel vision.

We act and believe as we do not only to bring about results but to express our commitments to certain ideals and ways of being. Accounts that omit these may pride themselves on being hardheaded, but what they really exhibit is tunnel vision.

Indeed, Nozick directs this criticism at himself: "The political philosophy presented in *Anarchy, State, and Utopia* ignored the importance to us of joint and official serious symbolic statement and expression of our social ties and concern and hence...is inadequate." The language is almost identical to the words employed in his previous book, *The Examined Life*, where Nozick announced to the world that he has abandoned the libertarianism that had made him both famous and notorious. In that book he left the matter there, not deigning to exhibit precisely what it is

about the symbolic component of joint action that undercuts libertarian political philosophy. Here in *The Nature of Rationality* he is, unfortunately, no more forthcoming.

And that truly is unfortunate, not simply or primarily because we are deprived of juicy biographical tidbits concerning the pilgrim's progress of one R. Nozick, but because it is by no means obvious how or whether recognition of the symbolic/expressive component of action directs one away from a classically liberal conception of politics. I should now confess a bias in this regard. Like Nozick, I believe that political theory needs to acknowledge the crucial role played by symbolic activity. But unlike Nozick, I have concluded that such recognition supports rather than undermines the imposition of tight constraints on the scope of collective choice. That is, an expressive theory of political behavior represents a positive rather than negative for libertarian political philosophy. (Interested readers may care to look at "The Booth and Consequences," in the November 1992 issue of REASON, or *Democracy and Decision*, published last year by Cambridge University Press.) In this I may be mistaken, but the matter at least requires argument. On almost every other aspect of the nature and status of rationality Nozick offer arguments aplenty; only here are we treated to gnome-like silence.

In a free society individuals are, of course, entitled to decline to dredge up from their past episodes that they now for personal reasons find distasteful to recall. But here Nozick's reticence transcends the personal realm and displays disrespect for his readers. A philosopher who announces ex cathedra the unsatisfactoriness of a viewpoint against which he refuses to provide evidence or argument is guilty of professional malpractice. Any philosopher should know this. All the more so one who, for the most part, writes so insightfully concerning what we have reason to believe and to do. ®

Contributing Editor Loren E. Lomasky is a professor of philosophy at Bowling Green State University.

Those Were the Days

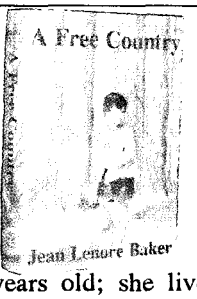
By Paul Craig Roberts

What Went Right in the 1980s, by Richard B. McKenzie, San Francisco: Pacific Research Institute for Public Policy, 397 pages, $21.95

In the decades after the Great Depression, a progressive morality evolved based on two verbs: *redistribute* and *regulate*. The private economy was believed to produce the wrong results. For a period, Keynesians even claimed that the propensity of the rich to save more than the economy could invest would cause widespread and permanent unemployment, unless government undertook measures to maintain an adequate level of aggregate demand.

Ronald Reagan was the first president since Calvin Coolidge to speak for economic freedom, and his policies were an affront to the smug morality that had

Richard McKenzie: He debunks the facile dismissal of the Reagan decade as a time of decline, decay, and despair.



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by Jean L. Baker

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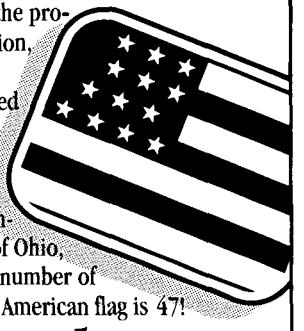

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reigned for a half century. The more success Reagan's policies had, the more he was hated. That government was the solution had hardened into dogma, and here was Reagan saying government was the problem. The partisans of big government no longer controlled politics, but they still controlled the publishing houses and the media. They retaliated by painting the 1980s as dark as they could imagine.

For a decade a torrent of books poured forth. They all had the same message, whether written by third-rate journalists or Ivy League economics professors: The Reagan decade was one of decline, decay, destitution, and despair. Facts played no role in these accounts. All of the morally outraged authors knew before they picked up their pens that policies as evil as Reagan's could have only a disastrous outcome. Bill Clinton summed up this view of the 1980s when he declared: "Twelve years of neglect have left America's economy suffering from stagnant growth and declining incomes."

Unlike Robert Reich, Paul Krugman, Benjamin Friedman, Lester Thurow, Kevin Phillips, Robert Kuttner, George Lodge, Barry Bluestone, *Philadelphia Inquirer* reporters Barlett and Steele, and many others whose claims are put to the test in *What Went Right in the 1980s*, Richard B. McKenzie, a professor at the University of California, Irvine, thinks facts are important. He also thinks it is important to tell the truth. Consequently, he gives his reader a dispassionate romp through the systematic misrepresentation of the 1980s by those who cannot blame their mistakes on their lack of professional skills.

EVERYONE SHOULD HAVE MCKENZIE'S book. It is easy to read, and the facts are presented in an accessible way. The book is full of wonderful charts and tables. My favorite is on page 12, where the upward sweep of the Dow Jones Industrial Average is juxtaposed with the dismal predictions of the era. Clearly, the nabobs of doom had no impact on anyone doing anything real, such as the money managers entrusted with the population's pension funds and accumulated financial wealth. It is not clear that the misinformation about the 1980s even affected politics. Bush, a believer in government, was discarded for repudiating Reagan, not for defending him.

Influential or not, the "decade of greed" is a fabrication wrought by dishonest people. McKenzie shows that the United States did not deindustrialize during the 1980s. Productivity expanded at record rates, and domestic manufacturing output expanded by more than overall

HENRY PAYNE

economic activity. Real incomes of rich and poor grew, and between 1984 and 1989, "the real per capita income of the lowest income group rose substantially faster than the per capita income of the highest income group." The tax burden was not shifted from rich to poor. The percentage of federal income taxes paid by the rich increased dramatically—proving the supply-side contention that better incentives would result in taxing the rich. McKenzie shows that every income group would be paying higher income taxes today if pre-Reagan tax laws were still in effect. Charitable giving took off, greatly outstripping predictions, despite the lower tax rates that reduced the value of the tax deduction. As for the claims that the 18 million new Reagan jobs were part-time "burger-flipping" jobs, McKenzie reports that "during the 1980s the part-time share of total jobs actually declined."

Even the growth in debt, which demoralized the Republicans and left them a dispirited bunch unable to defend their leader's accomplishments, turned out to be positive. McKenzie says that it was the expansion of private assets that made it possible for people to attain more credit with which to further expand their asset base.

He notes that the decade of the 1990s may be dynamic, "activated, in part, by the private debt accumulated during the 1980s." The good work in the 1980s makes McKenzie optimistic about economic prosperity in he 1990s. Clinton is well positioned to be the beneficiary of the strengths Reagan put into the economy.

As satisfying as McKenzie's book is, it has some puzzling shortcomings. One is that he doesn't acknowledge others who have exposed false and misleading claims about the 1980s. For example, there is not a single reference to any of my numerous high-profile defenses of the Reagan record or to Lawrence Lindsey's *The Growth Experiment* or to Martin Anderson's *Revolution.*

Another shortcoming is that McKenzie doesn't see the forest for the trees. He documents the growth in income, productivity, etc., but he neglects the greatest accomplishment of the era—the demise of stagflation and the shattering of the "Phillips curve" trade-off between employment and inflation. When Reagan was inaugurated, the conventional wisdom was that the price of sustained economic growth was a rising rate of inflation. Reaganomics was considered "voodoo economics" not because of its deficit projections, but because it forecast economic expansion and disinflation, which is precisely what it delivered. Foremost about what went right in the 1980s was the disinflationary economic expansion. If McKenzie had paid some attention to those of us who knew what we were doing, he would have included the big picture with the details. R

McKenzie shows that the United States did not deindustrialize during the 1980s. Productivity expanded at record rates, and domestic manufacturing output expanded by more than overall economic activity. Real incomes of rich and poor grew, and between 1984 and 1989, the real per-capita income of the lowest income group rose faster than the highest. The tax burden was not shifted from rich to poor.

Contributing Editor Paul Craig Roberts is chairman of the Institute for Political Economy and a Distinguished Fellow of the Cato Institute. He was assistant secretary of the treasury in 1981–82.

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And That's the Truth

By Thomas W. Hazlett

Wipe away that political grime with The Pledge!

CALIFORNIA IS THE LAST GREAT American frontier, bordering, as it does, on reality. And as one of its few indigenous citizens old enough to have resisted the temptation to vote for Nixon, I am proud to report that the Golden State is again setting the pace in yet another space-age invention: political ethics.

Organic chemists have discovered the cure for centuries of public sophistry cultivated in the rich California soil. In fact, if you'll excuse the expression, it was grafted onto the current campaign when would-be governor Kathleen Brown challenged her rivals to sign a document indicating—and I quote—"We pledge to be honest."

Ms. Brown, the Democratic state controller, has crafted a remarkably discerning lie detector test. To casual voters, it appears that once politicians courageously commit to telling the truth in signed and notarized statements, they will be less tempted to shade the facts. Yet, since liars are not deterred in the slightest by a pledge to be truthful, they are happy to do so publicly. Indeed, they welcome the opportunity to put another layer of paperwork between their embellishments and the plain truth.

In short, the righteous man is insulted by such a charade and denounces the essential dishonesty of which such a vacuous public exhibition smacks. The crook exclaims, "Where do I sign?"

SOME OF THE LITTLE PEOPLE SEEM TO be picking up on this logic, but only in crude ways. Many patriotic Americans now find a politico who openly admits to dishonesty to be refreshingly candid. Hence, when Col. Ollie North proudly tells his legions that he lied to Congress in order to protect American lives, he is given a thunderous standing-O. His people gush over a man who would rise above the cads and charlatans in Washington to be honest and forthright about his mendacities.

There are variations on this theme. The White House has a phalanx of apologists who argue with conviction that, from day one, Mr. William Jefferson Clinton *had* to bluff the common folk with loose talk about middle-class tax cuts and free health care. If he hadn't, then he, otherwise a man of virtue, could not have remained electorally competitive. Had it been up to him alone, Mr. Clinton would have told us the "honest truth" (as opposed to the slicker sort, in which he is clearly a consensus All-American). But in an age in which people don't want to hear what they need to, maybe the "dishonest truth" is a necessary evil.

Ms. Brown, a gifted campaigner who is as smooth before the cameras as her brother Jerry is spacey, ingeniously issued the "honesty pledge" challenge to both of her acknowledged rivals, Democratic Insurance Commissioner John Garamendi and Republican Gov. Pete Wilson. The cute trick was that she actually had a *third* major competitor—Democratic state Sen. Tom Hayden. She strategically elected to ignore the radical Fonda-Hayden because the publicity would constitute a nuisance on Ms. Brown's left flank. Hence, she clearly signaled that lying by omission was no violation of the honesty pledge.

Further innovations of the Brown campaign were its "no negative ad" pledge and a vow to air television commercials only along the lines of an "honest and issue-oriented campaign." Of course, among the greatest issues in any campaign are the competency and integrity of one's opponent. In the context of an either-or choice, any factor which is *pro* one candidate is by definition *anti* another. Yet to be honestly straightforward about this is to be "negative."

CLEVERLY ENOUGH, BROWN'S ENTIRE pledge-taking challenge was a preemptive negative attack on her opponents. Her message to voters was that her opponents were such vile bottom-feeders that she had to set some civilized ground rules on behalf of common decency. Having gotten in this below-the-belt shot, it is no wonder she'd like to call it quits on all that "negative" campaigning.

For their part, Brown's challengers have been exceedingly reluctant to get sucked into any sort of "honesty pledge." This is not due to any genuine disgust over disingenuousness. They object to signing off on their opponent's pledge, thus giving the impression that it is a real deal. That would be dishonest and, far worse, bad politics. Instead, they have taken the opportunity afforded to viciously counterattack Brown's subtext. They have responded with all guns blazing, characterizing her as one who has engaged in malicious personal denigrations to attain high public office, including her current one. That she has issued such an "honesty pledge" challenge, claim Democratic and Republican foes alike, is an indication of just how far she'll go to deceive the people.

H. L. Mencken once noted that every philosopher spent his whole day proving that every other philosopher was an ass, and—what was more—always did it successfully. This may explain why I am so easily convinced when candidates call each other liars. Especially when they've taken the "honesty pledge." ®

Contributing Editor Thomas W. Hazlett teaches economics and public policy at the University of California, Davis.

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